Talking tough

Berlusconi and the pensions dilemma

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Robe of virtue

Why unelected leaders win respect

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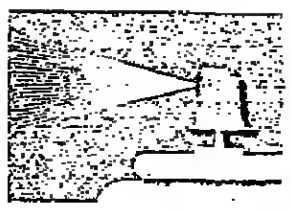

Clearing the air

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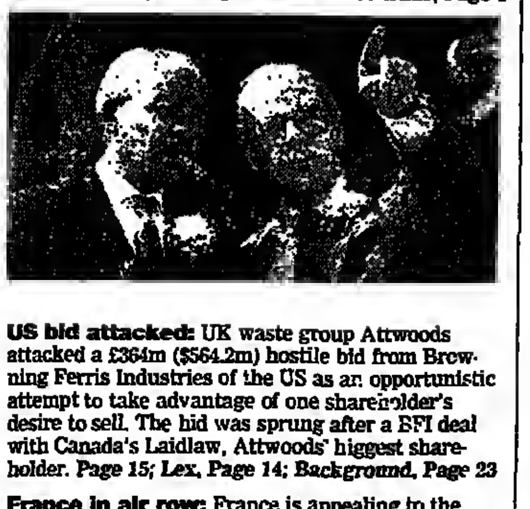
FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY SEPTEMBER 21 1994

Buthelezi sacked in feud over Zulu leadership

The feud between King Goodwill Zwelithini and Chief Mangosuthu Buthelezi, two leaders of South Africa's 9m Zulus, came to a head yesterday when the king dismissed Chief Buthelezi as his prime minister. The rift could bring a change in the political control of Natal'a provincial parliament, currently held by the chief's Inkatha Freedom party. Separately British prime minister John Major (pictured below right with South African president Nelson Mandela), urged the government to embrace free market policies that would create prosperity by attracting "hard-headed investors". Page 14; Zulu *court split, Page 4; Major stresses free trade, Page 4*



US bid attacked: UK waste group Attwoods attacked a £364m ($564.2m) hostile bid from Browning Ferris Industries of the US as an opportunistic attempt to take advantage of one shareholder's desire to sell. The bid was sprung after a BFI deal with Canada's Laidlaw, Attwoods' biggest shareholder. Page 15; *Lex, Page 14; Background, Page 23*

France in air row: France is appealing to the European Court of Justice in a bid to delay liberalisation of two profitable domestic air routes. It wants a Commission deadline for opening the routes suspended pending a court ruling. Page 14

EU enlargement move: France and Germany are to ask the European Commission to produce a consultation paper next spring setting out a programme for enlarging the European Union to eastern Europe. Page 14

Tokyo close to agreement on tax reforms: The three parties in Japan's coalition government said they were close to resolving a long-standing dispute over tax reforms. Page 5

Taiwan pressed to open markets: Taiwan is under pressure from the US to open its rice market and from Japan to drop restrictions on Japanese car imports as it enters talks on joining the General Agreement on Tariff and Trade. Page 3

Pearson restructures publishing interests: Pearson, owner of the Financial Times, announced a restructuring of its publishing interests to reflect its strategy of concentrating on information, education and entertainment. Page 22

Swissair: International airline Swissair reported a SFr48m ($36.3m) interim net loss compared with a SFr65m loss in the same period last year despite *continuing fare wars* and the strength of the Swiss franc. Page 17

CS Holding, international financial services group built around Credit Suisse, launched a SFr905.6m ($686m) rescue package and agreed takeover bid for Neue Aargauer Bank, Switzerland's largest regional bank. Page 15

Adams seeks US visa: Gerry Adams, head of Sinn Féin, the political wing of the Irish Republican Army, has applied for a US visa. Page 7

Australian fire alert: An emergency was declared in areas of the Australian state of New South Wales as winds fanned about 200 bushfires in drought-stricken areas. Growth hit, Page 4

Italian ex-minister held: Former Italian interior minister Antonio Gava was arrested in Naples on suspicion of having links with organised crime.

Iran bans TV dishes: Iran's parliament voted to ban satellite TV dishes used by thousands of Iranians to watch western and Asian programmes considered as corrupting influences by Moslem clerics.

Burmese rulers meet opposition leader: Burma's military rulers met opposition leader Aung San Suu Kyi in her first high-level encounter with the junta since she was placed under house arrest five years ago. Burmese television said the talks were cordial but gave no details.

Void in Bulgaria politics: Bulgaria's opposition Union of Democratic Forces rejected an offer to try to form a government. The Bulgarian Socialist Party of former communists turned down the challenge last week.

■ STOCK MARKET INDICES

FT-SE 100:	3,037.3	(-41.8)
Yield	4.15	
FT-SE Eurotrack 100	1,342.33	(-14.63)
FT-SE-A All-Share	1,526.22	(-1.1%)
Nikkei	19,837.27	(+283.16)
New York lunchtime:		
Dow Jones Ind Ave	3,898.03	(-38.69)
S&P Composite	467.12	(-3.73)

■ US LUNCHTIME RATES

Federal Funds:	4$\frac{11}{16}$%
3-mo Treas Bills: Yld	4.719%
Long Bond	95$\frac{13}{32}$
Yield	7.799%

■ LONDON MONEY

3-mo Interbank	5$\frac{13}{32}$%	(same)
Liffe long gilt future:	Dec 98$\frac{13}{32}$	(Dec98$\frac{7}{16}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$16.19	(15.95)

■ Gold

New York Comex (Dec)	$397.1	(393.6)
London	$393.80	(390.25)

■ STERLING

New York lunchtime:		
$	1.5749	
London:		
$	1.5764	(1.568)
DM	2.4446	(2.4347)
FFr	8.357	(8.3175)
SFr	2.0284	(2.022)
Y	154.088	(154.864)
£ Index	79.8	(79.6)

■ DOLLAR

New York lunchtime:		
DM	1.5518	
FFr	5.3035	
SFr	1.2860	
Y	97.805	
London:		
DM	1.5508	(1.5528)
FFr	5.3015	(5.3045)
SFr	1.2855	(1.2895)
Y	97.75	(98.765)
$ Index	62.0	(62.3)

Tokyo close Y 98.50

Austria	Sch30	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira70	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr13
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

Clinton seeks broader backing for Haiti accord

Aristide refuses to acknowledge Carter's pact with ruling junta

By George Graham in Washington

The Clinton administration yesterday tried to win broader support for the agreement it reached with the Haitian junta on Sunday, as the first sign emerged that the country's notorious militias might not prove entirely compliant to the wishes of US occupying force.

Haitian riot police used clubs to disperse thousands of supporters of exiled President Jean-Bertrand Aristide as they rushed to Port-an-Prince harbour to welcome the US troops. At least one Haitian was badly injured.

Apart from this incident, however, US deployment was greeted peacefully. Earlier, General John Shalikashvili, chairman of the US joint chiefs of staff, insisted that the Haitian troops were continuing to co-operate with the US occupation force.

Gen Shalikashvili, the US's top military officer, strongly defended Sunday's agreement, which provides for General Raoul Cédras and other military leaders to leave power, but not necessarily the country, by October 15.

"I am absolutely convinced that an agreement that allowed us to now be in Haiti this morning already... without a single shot fired up to now, without a single American having been wounded or died or without a single Haitian being wounded or died, must be pretty good," he said.

Gen Shalikashvili said Pentagon officers planned to brief Fr Aristide on their plans for occupying Haiti.

Fr Aristide broke his silence on the deal yesterday with a frosty statement reaffirming his commitment to last year's broken Governor's Island Agreement - under which Gen Cédras had promised to leave power a year ago - but pointedly ignoring the agreement brokered by former US president Jimmy Carter.

The ousted Haitian president said he would "remain vigilant to the declaration of democracy expressed by the people of Haiti, as together with the people of Haiti we move toward a new beginning". But Fr Aristide's advisers said the omission of any endorsement of the new agreement was deliberate.

Briefing congressional leaders yesterday, Mr Clinton said: "This is a very different and a much better day than it would have been had we not been able to successfully combine the credible threat of force with diplomacy."

He added that Washington "must be prepared for the risks that remain for the troops, but we should recognise that we are in a much stronger and safer position to achieve our goals in Haiti today".

Members of the US Congress from both parties remained sceptical about the chances of successfully restoring democracy to Haiti, and unhappy about the prospect that US troops would have to remain in large numbers probably until at least February.

The House of Representatives voted by 353-45 in favour of a resolution offering muted support for Mr Clinton but also calling for the withdrawal of US troops as soon as possible.

Priest in exile, Page 6

US trade gap widens in July ■ German and Dutch markets down

Bonds and stocks fall amid fears of inflation

By Gillian Tett in London and Frank McGurty in New York

World bond and stock markets slid yesterday after worse-than-expected US trade figures and mounting concerns about the outlook for inflation and interest rates in Europe and the US.

The immediate spur was US Commerce Department figures showing that the US trade balance deteriorated significantly in July and recorded the second-largest monthly deficit ever for trade in goods. The data added to market fears about inflation prospects in the US and sharply depressed the US bond and stock markets.

The Dow Jones Industrial Average plunged 41.05 in a broadly based retreat to 3,895.67 in the morning. In the Treasury market, foreign investors sold heavily in response to fears of a weaker dollar, with the US and Japan preparing for a fresh round of trade talks. By early afternoon in New York, the price of the benchmark 30-year government issue was down $\frac{7}{32}$ at 96-$\frac{2}{32}$, raising the cost of long-term finance. Meanwhile, the dollar slid against the yen in European and US markets. By early afternoon in New York, the dollar was quoted at Y97.72, down from Y98.51 late on Monday.

The falls exacerbated a broader slide in most European bond and equity markets. Economists emphasised that the underlying reason for the fall was not so much the US trade figures but a growing fear in European and US markets that US inflation pressures are mounting while the European interest rate cycle is likely to rise.

The FT-SE 100 share index fell 41.8 points to close at 3,037.3. UK government bonds also fell sharply in the morning, with the December gilt contract touching a low of 97.50 before rebounding at the end of the day to close at 98.03, down from the opening price of 98.15. Short sterling futures were also weak amid heavy trading. Meanwhile, yields on 10-year government bonds also rose through the psychologically important level of 9 per cent.

The declines were reflected in most European markets, where stock markets in the Netherlands and Germany fell by about 1 per cent. European bonds also had a volatile day, further strained by concerns that German money supply figures, expected today, might be worse than expected.

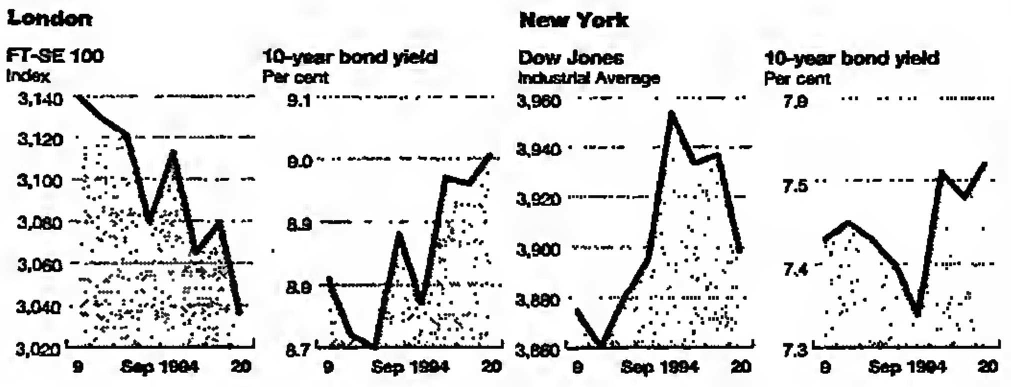
The main factor driving the equity markets fall, economists said, was the volatility in international bond markets, where dealers apparently remain unconvinced about governments' ability to maintain low inflation and continue to focus disproportionately on bad economic news.

Mr Keith Skeoch, chief economist at UK brokers James Capel, said: "The fall in the Footsie is being generated as much by international factors as from domestic figures."

Broader inflation concerns, economists said, were likely to continue to depress UK gilts in spite of the UK government's interest rate rise last week. With the UK company results' season now coming to an end, gilt markets are expected to act as the key factor driving equity markets in the month ahead.

Mr George Magnus, international economist at brokers S.G. Warburg in London, said: "There is a feeling in the markets that we have now crossed the Rubicon, and what we have seen in the US in terms of rising inflation and interest rates is migrating over to Europe now."

Meanwhile, Mr Michael Saunders, UK economist at Salomon Brothers, said: "It is a combination of growth coming out stronger than expected, further upward pressure on US rates and a sense that the German interest rate cycle has changed."



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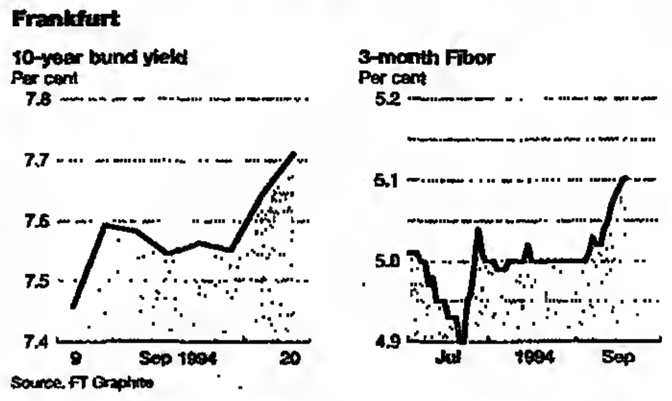

Source. FT Graphite

Michelin in profit as market recovers

By John Ridding in Paris

Michelin, the world's largest tyre maker, reported a strong turnround this year with a first-half net profit of FFr410m ($77.7m) after minority interests, compared with a loss of FFr3.19bn in the same period last year.

The result reflected a recovery in the European car market after last year's sharp recession and the effects of the group's restructuring programme, according to Mr Eric Bourdais de Charbonnière, finance director.

He said Michelin was on course with its rationalisation plan launched last year. It aims to cut FFr3.5bn in costs by mid-1995. The workforce is about 120,000 against 129,000 at the start of 1993. Salary costs have fallen from 43.5 per cent of sales in the first half of 1993 to 39.7 per cent in the first six months this year.

While he expressed satisfaction with the results, Mr Bourdais de Charbonnière said: "They mark only the beginning of the re-establishment of the company's financial situation." The company had taken FFr310m of provisions to cover further staffing changes in France.

He cited continued growth in the US market and recovery in Europe as the factors behind a rise in sales from FFr30.6bn to FFr33.27bn. In both markets, however, the impact on profits

Continued on Page 14
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Russia demands control as Azerbaijan oil deal is signed

By John Lloyd in Moscow and Robert Corzine in Baku

The largest deal between foreign oil companies and a former Soviet republic was signed yesterday in the Azerbaijani capital Baku - but Russia immediately refused to recognise the $8bn agreement.

The refusal, from Mr Grigory Karasin, chief spokesman for the Russian foreign ministry, follows Moscow's stated intention to control and if necessary stop all oil and gas exploitation in the Caspian Sea unless it dictates the terms.

Russia is demanding that the pipeline route should pass through its territory, giving it a stranglehold over energy exports from Azerbaijan. In fact, western consortium members favour upgrading the existing pipeline to Russia, given that an alternative route to Turkey would have to pass through Iran.

However, the deal omitted agreement on a pipeline route to get the oil to hard-currency markets, although the contract calls for its construction within 4½ years.

Representatives from a consortium of 10 companies, led by British Petroleum, signed the 30-year contract with Azeri president Haydar Aliyev. The production-sharing deal was the culmination of three years of negotiations, variously described by Mr Aliyev as "tense" and "not easy at all".

The Russian deputy energy minister was present at the signing ceremony, which suggests a clash of interests between the Russian energy and foreign ministries.

The consortium is likely to use oil swap deals with Russia or Iran to export the relatively small volumes of early oil production. That will begin within 18 months and build up to 80,000 barrels a day by 1997.

The consortium plans to develop the fields in phases. The offshore fields contain potential reserves of about 3.8bn barrels of high-quality crude oil. Peak output could reach 700,000 barrels a day, a level that might "reshape the pattern of trade in energy supplies", according to Mr John Browne, managing director of BP Exploration. Azeri production is 160,000 b/d at present.

Mr Browne said the risk that a long-term transport solution might prove elusive would be reduced by "pacing investment according to the means of getting the oil out".

In addition to BP, consortium members include Amoco, Unocal, McDermott and Pennzoil, all of the US, Statoil of Norway, Ramco of the UK, Turkish Petroleum, Lukoil, Russia's largest oil company, and Delta, a private Saudi company. Socar, the Azerbaijani state oil company, has a 20 per cent interest.

The most recent member of the consortium is Lukoil, the Russian semi-private oil company which was given 10 per cent of the project from the Azeri government stake after strong pressure from Russia for its inclusion. However, it appears that that share - thought sufficient to satisfy Russian demands - is not enough for the Russian government to bless the venture.

The deal must still be ratified by the Azeri parliament - a body whose majority is pro-Aliyev, but which has in the past proved volatile when presented with decisions it judges to be against the national interest. A strong strain of opinion is against the entry of western oil companies.

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Naples politicians accused of Mafia link

By Robert Graham in Rome

Mr Antonio Gava, a former Christian Democrat interior minister and a big political figure in Naples, was yesterday arrested on charges of alleged association with the Camorra, the Neapolitan Mafia.

The arrest was one of 76 ordered by Naples magistrates on charges of association with the Camorra. Those arrested included two other former prominent local politicians. A further 22 arrest warrants were issued in the same inquiry for various types of corruption.

Naples magistrates first sought to implicate Mr Gava on similar charges in March 1993. Parliament subsequently agreed that his immunity should be waived. However, the magistrates have waited a good six months before moving to arrest Mr Gava who was widely known as the most powerful Christian Democrat figure in the Naples region for much of the past two decades.

He now becomes the second former minister from Naples to be arrested. But his colleague - former health minister Francesco Di Lorenzo - only faced corruption charges. But the Gava case is the most serious accusation linking the world of organised crime with politics since that of former prime minister Giulio Andreotti.

As interior minister from 1988-92, he had direct control over the fight against the Mafia. Earlier in 1987 as finance minister he had responsibility for the Guardia di Finanza, the financial police.

Mr Gava is alleged to have been part of the clan of Carmine Alfieri, the leading figure in the Camorra, who was captured in September 1992 after having been on the police wanted list for ten years. Naples magistrates claim that at the time of his capture Alfieri was running an empire which spanned illicit construction and investment activities alongside drug dealing, extortion and racketeering with a combined annual turnover of L1,500bn ($965m).

Extensive information on the Alfieri empire has been supplied by Pasquale Galasso, a former close associate who has been under police witness protection since December 1992. Galasso's evidence has already led to hundreds of arrests and has been the principal means of implicating the bulk of the former ruling elite on the Naples city council as well as leading business figures and national politicians.

Mr Gava is alleged to have developed his Camorra links in the early eighties.

This was in the wake of the transfer of vast funds to Naples and the surrounding region to make good the damage caused by the devastating Irpinia earthquake. These funds were diverted for political use and business investment which required Mafia protection, the magistrates allege.

In return for such protection the politicians headed by Mr Gava agreed to provide political cover for the Camorra.

■ The majority of journalists in RAI, Italy's state-run broadcasting corporation, yesterday staged a 24-hour stoppage in protest at government-imposed changes in the editorial control of the three television channels and national radio network, writes Robert Graham.

The changes were agreed over the weekend and reflected efforts by the Berlusconi government appointed management board to shake up the existing editorial structure. The RAI main union claimed the new board had failed to observe proper procedures and was determined to place government-friendly journalists in key positions of editorial control.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 5964481. Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621. Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41. Fax 33 93 53 35

Mauroy hitches bandwagon to TGV

By David Buchan in Lille

Mr Pierre Mauroy yesterday inaugurated a FFr800m (£96m) shopping centre, the latest stage in the colossal "Euralille" commercial/transport project in the centre of the north French city.

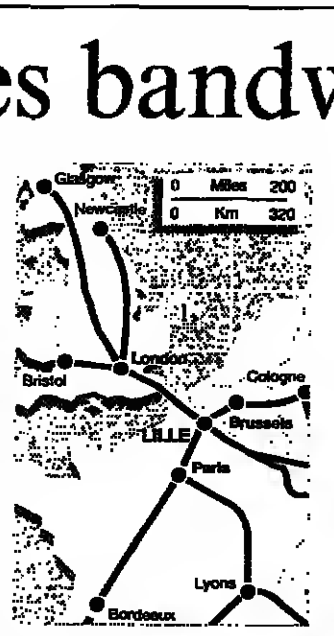
The venture forms a key part of his campaign to win a fifth six-year term as mayor of Lille next year.

The former Socialist prime minister has been mentioned as a possible Socialist presidential candidate if Mr Jacques Delors decides not to run. But despite recent conservative inroads into his Socialist bastion, Mr Mauroy's enthusiasm for municipal politics seems undimmed. To bolster his record as mayor since 1971, he is counting heavily on the Euralille project and on Mr Delors' own daughter, Mrs Martine Aubry, the former labour minister, who is running on his ticket as first deputy mayor in the June 1995 municipal elections.

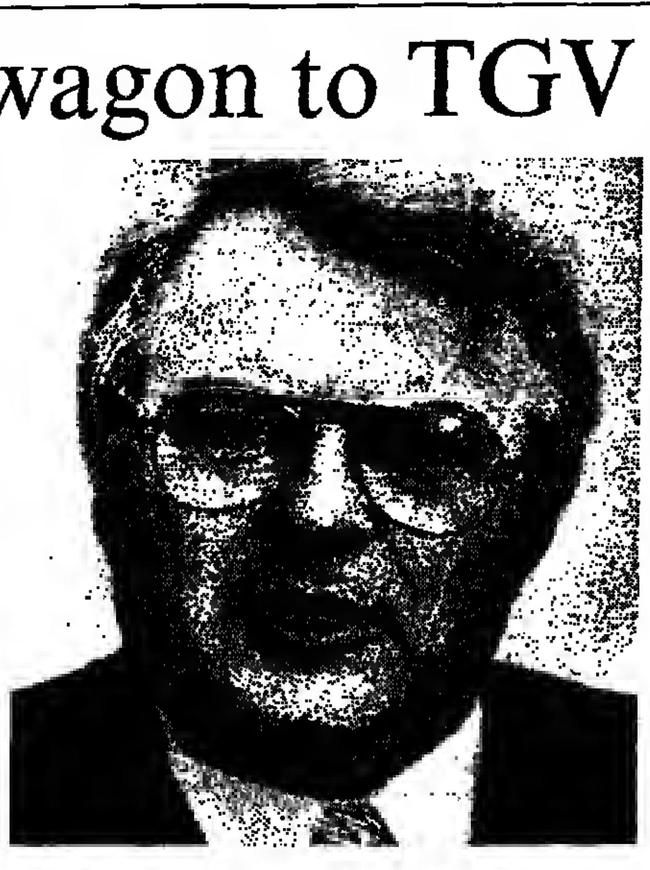
But the politically double-edged nature of the Euralille project was underlined yesterday when organisers of the new 66,500 square metre commercial centre admitted that they had deliberately turned away textile and clothing companies wanting to install themselves in the new centre in order to protect these traditional industries of Lille, where unemployment is already more than 13 per cent. "In the interests of diversification, we decided to make leisure and beauty a major theme of the centre which is now 95 per cent filled," one organiser said coyly.

Exploiting the local textile industry's anxiety, Mr Alex Turk, a Gaullist RPR law professor running for mayor against Mr Mauroy has criticised the Euralille project for siphoning too much money away from other social services and for over-emphasising commercial development, rather than just settling for the still-ambitious goal of making Lille the hub of new TGV high-speed train services between Paris, London and eventually Brussels.

Mr Jean-Paul Baietto, overall director of Euralille, said yesterday that the city had only sunk FFr84m directly into the project, with its main contribution being the gift of 70 hectares city centre site which had been in French army hands from the 17th century until the early 1980s. More than FFr3bn of the total investment was from the private sector, and much of the balance from central and regional government and French railways.



The political ambitions of the Socialist mayor of Lille, Pierre Mauroy (right), have rested on making the city a rail hub of west Europe; one hour away from Paris; two hours from London once the Chunnel opens; and soon to be half-an-hour from Brussels by TGV



But the delayed start to full commercial TGV services through the Channel Tunnel was in danger of unbalancing the project, he conceded.

Some delay has been welcome, he said, because Lille started its TGV station well after work on the Channel began. But the Lille station was finished last May, "and we will be in trouble if the Eurostar (TGV) trains don't start arriving by next May", he said.

The next chunks of Euralille, described as Europe's biggest city renewal project, due to open are a 5,000 seat theatre in November and a World Trade Centre next January. The latter is supposed to provide a variety of services to travelling businessmen.

The trade centre will include apartments, temporary offices, and banks and travel agencies, and as such it is highly dependent on the Eurostars bringing in the businessmen.

Rasmussen senses backing for welfare

By Hugh Carnegy and Hilary Barnes in Copenhagen

DANISH ELECTIONS
September 21

Mr Poul Nyrup Rasmussen, Denmark's Social Democratic prime minister, yesterday promised to bolster the country's extensive welfare system if he is returned to office, as expected, in today's general election. He told a final campaign press conference he had sensed a change of attitude among Danes in favour of welfare spending after a decade of restraints by centre-right governments between 1982 and early last year.

"I am convinced that after the election we shall find there is wide support for spending more money on the care of the elderly, home help services and the hospitals," he said.

The welfare state has been a central issue, as it was in the Swedish election won on Sunday by the Swedish Social Democratic party. Although government spending in Denmark is equal to 64 per cent of GDP – second only to Sweden among industrialised countries – Denmark has not incurred the big budget deficits amassed by its northern neighbour, allowing Mr Rasmussen to avoid the cuts Sweden is now facing.

His chances of a second term were strengthened yesterday when the three small centre parties in his coalition government reacted coolly to calls from the Conservative and Liberal parties to join them in a new centre-right coalition.

"If there is a non-socialist majority, there ought to be a non-socialist government," said Mr Uffe Elleman-Jensen, the Liberal leader and opposition candidate for prime minister who is campaigning for restraints on public spending to allow for lower taxes and higher private sector growth.

But his call was promptly rejected by the Radical Liberal party and the Centre Democrats, who remain loyal to a partnership with the Social Democrats. The Christian People's party, who opinion polls show may be eliminated from the Folketing (parliament), were non-committal.

Opinion polls indicate the four-party coalition, which took office in January 1993 without an election, will lose its one-seat majority. But they suggest Mr Rasmussen will be able to continue as head of a minority government dependent on the left-wing Socialist People's party. The Conservative and Liberal parties are set to make gains, but not sufficient to unseat Mr Rasmussen without the help of centre parties.

The prospect of a Social Democratic victory has led to speculation that Mr Elleman-Jensen, foreign minister between 1982 and 1993, may seek to become Nato secretary general in succession to the late Mr Manfred Wörner. Yesterday, however, he emphasised his ambition to become Danish premier.

Poul Nyrup Rasmussen: made pledge on care for the elderly

Dutch budget deficit below expectations

By Ronald van de Krol in Amsterdam

Unexpectedly strong tax receipts allowed the new Dutch cabinet to submit a budget for 1995 yesterday that manages to keep the country's budget deficit well below the projections made last month when the coalition government took office.

The rise in tax receipts, fuelled by a resurgence in economic growth, means that the 1995 deficit will represent 3 per cent of gross domestic product (GDP), compared with the government's own ceiling of 3.3 per cent set in August. The 1994 deficit, which was also originally expected to stand at 3.3 per cent of GDP, is also now expected to come in at 3 per cent.

The buoyancy of the Dutch economy was underlined yesterday when the Central Planning Office forecast that GDP would grow by 3 per cent rise in 1995, the sharpest rate in the 1990s.

It also revised its forecast for growth in the current year to 2 per cent, double the 1 per cent forecast released in the spring.

Government spending will rise to Fl 233.3bn (£86bn) in 1995 from Fl 200.2bn this year, reflecting a large, one-off payment of subsidies to public housing co-operatives.

Tax revenue is projected to rise to Fl 153.5bn from Fl 150.4bn in 1994, which is itself Fl 2.3bn higher than originally forecast.

Despite the better than expected economic and fiscal outlook for 1994 and 1995, the new left-right coalition government led by Mr Wim Kok, the Labour leader, said it aimed to tackle structural problems in the Dutch economy, such as stubbornly high unemployment and the country's big public debt.

"You can't allow yourself to be blinded by short-term economic recovery," Mr Kok said.

Mr Wim Kok, the Labour leader, says 'you can't allow yourself to be blinded by a short-term economic recovery'

Mr Gerrit Zalm, the finance minister, said that the cabinet's budgetary policies, drawn up in August, had been purposely based on cautious economic assumptions so that the government would not have to modify spending plans if it encountered economic setbacks.

The government previously set a deficit ceiling of 2.9 per cent for 1998, the final year of its four-year term. Yesterday, it said it would use any further tax windfalls to reduce this to 2.7 per cent.

If there is any money remaining, the government will also seek to earmark up to Fl 100m for extra spending on policing.

Central bank set to regulate Irish SE

By John McManus in Dublin

The Central Bank of Ireland is to take over regulation of the country's stock market after the splitting of the Irish stock exchange from the London stock exchange, scheduled for next April, the government announced yesterday.

Under the Stock Exchange Act due to become law by the end of this year, the newly independent Irish stock exchange and its 10-member firms will have to apply to the Central Bank for permission to trade. However during the transition period they will be considered as approved while their applications are being dealt with.

Under the new Act, which fulfils Ireland's EU obligation to regulate its own stock market, firms authorised in other EU states will be able to operate in Ireland and firms authorised in Ireland will have the right to operate in other EU states.

In order to be approved the Irish stock exchange will have to become a limited company and its current council, made up of representatives of member firms will be replaced by a new board.

The board will have to "represent a balance between the interests of member firms and stock exchange users and public interests and must include enough independent members to promote the protection of investors and the maintenance of proper standards," according to the Irish minister for finance, Mr Bertie Ahern, who launched the bill yesterday.

The Central Bank will be able to block appointments to the new board, said Mr Ahern. The rules of the Irish stock exchange will have to be approved by the Central Bank and the bank will be able to investigate breaches of them.

The Irish stock exchange has indicated that it intends to adhere to the rules of the London stock exchange following the split. Breaches of these rules are currently dealt with under the disciplinary procedures of the London stock exchange.

The Central Bank will also be able to impose its own conditions and regulations on the exchange and investigate breaches of them. Fines of up to IR500,000 ($780,000) may be imposed for breaches of Central Bank conditions and regulations while fines of IR1m and prison sentences of up to 10 years may be imposed of breaches of the Stock Exchange Act itself.

The bank will also have the power to object to the acquisition or disposal of significant shareholdings in the Stock Exchange or member firms.

Confusion surrounds EU directive

By David Goodhart, Labour Editor

The European Commission has finally agreed a revised version of the controversial Acquired Rights Directive but there is widespread disagreement about what the revision means.

The directive affects the rights of workers whose services are contracted out.

European employers and unions welcomed the amendment but disagreed radically about what effect it will have. Employers bodies, and several countries such as Britain and Germany, have been pushing hard for a narrowing of the directive's scope while unions have been strongly resisting any significant change. The revisions will still have to be unanimously approved by the EU social affairs council.

The original directive passed in 1977 protects the jobs and working conditions of workers whose businesses are transferred. It first became a big issue when it began to interfere with the British government's attempt to contract out public services to the private sector. Contracting out has been severely impaired by the directive in Britain.

The German government swung its weight behind reform of the directive after a recent ruling from the European Court of Justice decreed that a single woman cleaner whose job was transferred to a contractor should be covered by the directive.

The revised directive seeks to clarify what type of operation will remain covered by the directive. It also revises the rules on insolvent companies.

The key new paragraph states that the "transfer of an economic entity which retains its identity" will still be regarded as a transfer but the transfer of "only an activity of an undertaking...does not in itself constitute a transfer".

Employers' organisations claim this represents a significant narrowing of the directive's scope and could rule out many of the activities – such as cleaning and catering – at the centre of the UK government's contracting out strategy. Mr John Hall, director-general of the Business Services Association, which represents UK private contractors, said: "This is a vast improvement on the existing directive, and is even some improvement on the earlier revisions, but it could still mean a field day for the lawyers."

However Mr David Lea, assistant general secretary of the British Trades Union Congress, said that the revision merely codified recent judgments of the European Court and was welcomed by European trade unionists. In the judgment on the single German cleaner the judge said that the woman alone did represent an "economic entity".

Ms Melanie Tether, a British lawyer specialising in the directive, said that it was not so much the new language but the political signal that was being sent to the European Court to narrow the scope of the directive which was likely to be crucial.

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EUROPEAN NEWS DIGEST

Finland raises new EU doubts

Mr Heikki Haavisto, the Finnish foreign minister, yesterday caused consternation in the government when he suggested the country would quickly be able to renegotiate its entry terms to the European Union if voters reject membership in next month's referendum.

By increasing uncertainty over the outcome and importance of the referendum his suggestion is likely to increase tensions between his own Centre party and the pro-EU Conservative party, the main coalition partners in Finland's centre-right government.

The Centre party, which leads the coalition, backs membership but it has been anxious not to offend the anti-EU farming community on which it relies for much of its support. Writing in the Social Democratic newspaper, Demari, Mr Haavisto said he believed EU enthusiasm for Nordic membership of the community was sufficiently strong for the two sides to be able to negotiate a new membership package within a year. The general view has been that the Nordic countries would have to wait at least five years before they could re-apply for membership. Last week Mr Esko Aho, the Centre party prime minister, upset the Conservatives and the opposition Social Democrats when he said parliament should wait until after the Swedish referendum before deciding whether to approve the country's membership campaign.

Parliament has to approve the move by a two-thirds majority. Finnish enthusiasm for the EU has been waning, with the latest opinion poll showing 38 per cent of voters in favour of membership and 31 per cent against. *Christopher Brown-Humes, Stockholm*

Swedish Liberals await a call

Mr Bengt Westerberg, the leader of Sweden's Liberal party, said last night that he had received a party mandate to negotiate with the Social Democrats, the winners of Sunday's general election, over a possible coalition.

But he thought it was more likely that the Social Democrats, who fell just 13 seats short of a majority in the 349-seat parliament, would form a minority government. A coalition between the Social Democrats and the Liberals would be warmly welcomed by financial markets and Swedish business because they believe it would bring tough action to curb the country's budget deficit. However, political analysts say the weak showing of the Liberals in Sunday's election, when they lost 20 per cent of their votes, makes the alliance unlikely. Yesterday Mr Ingvar Carlsson, prime-minister elect, delayed until today an announcement on his efforts to form a government following preliminary contact with the leaders of the other parties. The uncertain political situation continued to weigh on the markets, with bond yields edging higher and the Swedish krona and shares both losing ground. *Christopher Brown-Humes, Stockholm*

French minister in villa row

France's trade and industry minister, Mr Gérard Longuet, yesterday denied a magistrate's report that he had effectively allowed a contractor from his home region of Lorraine to pay for much of the building of his Riviera villa, and that what he had paid came from other corporate sources. The minister claimed the leaking of judge Mr Renaud Van Ruymbeke's report to the Justice Ministry was a malicious attack on him, and dismissed any idea of resigning. Mr Van Ruymbeke has put the head of St Gobain, Mr Jean-Louis Beffa, under formal investigation in an attempt to track down what happened to a FFr4.4m (£520,000) commission paid by a St Gobain subsidiary to win a water pipe contract in Nantes.

In seeking to verify claims that the missing money ended up with Mr Longuet, the judge has unearthed other information about Mr Longuet's St Tropez villa, his Lorraine-based contractor, and his Paris consulting company, which he believes warrants investigation. Mr Pierre Méhaignerie, the justice minister, now has the delicate task of deciding whether to call in another magistrate to investigate his cabinet colleague. *David Buchan, Paris*

Slovak poll delays privatisation

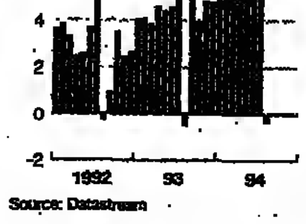
The Slovak government yesterday suspended part of its privatisation programme, postponing decisions on direct sales of state assets until after next week's general election. The move is designed to remove political uncertainty from the process ahead of the vote, scheduled for September 30 and October 1, and is in response to a pledge made by Christian Democrat members of the ruling coalition that no privatisation decisions would be made during campaigning. The National Property Fund, which administers state assets, opened on August 1 for bids for stakes in state companies not included in the voucher privatisation programme, which is not affected by the suspension. The tender closed on August 30 and the NPF is expected either to consider the bids after the election or to open another tendering process. The latter option seems likely if the outgoing government of prime minister Jozef Moravčík is replaced by one dominated by the Movement for a Democratic Slovakia, the largest opposition party. Its leader, Mr Vladimír Mečiar, has said that if he becomes prime minister he will scrap current government privatisation plans and "start all over again". *Vincent Boland, Prague*

Jobs burden for women

Economic recession and structural changes in central and eastern Europe have led to more unemployment, increased part-time work and lower wages for women, according to the United Nations Economic Commission for Europe. A report prepared for a UN conference next month in Vienna on the situation of women in Europe says that women account for a growing share of the labour force. However, particularly in the service sector, women's jobs are still segregated at the lower end of the labour market, upward mobility and career prospects are limited and many women are left outside the full-time jobs market. A new employment pattern is emerging which is "highly feminised", the report says. This comprises highly skilled full-time workers and a large "periphery", usually lower skilled, and employed "when needed". The report notes that in western Europe unemployment hits women consistently harder than men, while in central and eastern Europe women have been most affected by the rise in poverty. *Frances Williams, Geneva*

ECONOMIC WATCH

Swedish trade balance in deficit



Source: Datastream

Sweden's balance of trade swung into a SKr400m (£34m) deficit in August after a July surplus of Skr9.6bn, according to preliminary figures from the Swedish statistical agency. Although the figures are distorted by summer holidays and represent a narrowing of the Skr600m deficit during the same month last year, they represent a trade performance well below the predicted Skr2.5bn surplus. The victory of the Social Democratic Party in Sunday's vote has tended to firm rather than weaken the Swedish krona as markets wait to see if SDP leader Ingvar Carlsson can establish a strong government. *Reuter, AP, Stockholm.*

■ *Unemployment* in Finland fell during August to 19.1 per cent, down from 20.1 per cent a month earlier, according to the Finnish labour ministry.

■ Switzerland's balance of payments position worsened in August. The Federal Customs reported a deficit of SFr290.2m (£143.5m), and a revised surplus of SFr315.3m for July.

'Bloody fight' for emerging markets

By Nancy Dunne in Washington

Mr Jeffrey Garten, US commerce undersecretary responsible for international trade, yesterday predicted that large emerging markets, such as China, Indonesia and India, will be the battlefield for "a bloody fight" as companies from industrialised countries vie for markets and government contracts.

In a speech prepared for delivery yesterday in Chicago, Mr Garten said the aggressive commercial policy adopted by the Commerce Department is being integrated into US foreign policy "as never before". The US will continue to champion human rights, but it has now accepted business's contention that commercial engagement furthers human rights goals.

Mr Garten, who has become the chief interpreter of Clinton administration trade policy, outlined Washington's mobilisation of both government financing and resources for the US assault on 10 "big emerging markets". These BEMs also include Brazil, Argentina, South Korea, South Africa, Poland, Turkey and Mexico.

Export promotion, he said had "moved out of the shadows" to the centre of trade policy. This has been demonstrated by the significant deregulation of export controls, expansion of trade financing facilities, and the establishment of export assistance centres around the US and commercial centres abroad.

The aggressive US strategy deploys the president, cabinet members and other senior officials in a co-ordinated pursuit of business. President Clinton, for example, contacted the Brazilian president, Mr Itamar Franco, to push a successful Raytheon bid for a $1.5bn environmental technology project.

Mrs Hazel O'Leary, US energy secretary, is due to arrive in Pakistan today with more than 50 US business executives "to support Prime Minister Benazir Bhutto's plans to boost Pakistan's electricity supply".

US government and business leaders meet frequently to coordinate business strategies and government policy. The US plans to expand training of foreign managers and technicians, who would be be "inclined to buy American goods and services," Mr Garten said.

"Stronger bilateral links between Washington and each of the BEMs are critical," Mr Garten said. In the Cold War, US linkages were often through military exchanges and training programmes: "Now and in the future, the most important links will not be men in uniform carrying weapons, but men and women in blue suits carrying laptops."

Mr Garten said the BEMs must feel the new World Trade Organisation is sensitive to their interests. "Because they have such large internal markets, they have more of an option of slowing their integration into the world economy with protectionist measures than do smaller nations," he said.

Former Italian trade minister to challenge Mexican president for top trade job

EU backs Ruggiero to head WTO

By Frances Williams in Geneva

The race for the top job at the World Trade Organisation, due to be created next January, hotted up yesterday when Mr Renato Ruggiero, a former Italian trade minister, was formally nominated as the European Union candidate.

Unless others enter the race, the contest now seems likely to be between Mr Ruggiero and Mr Carlos Salinas, outgoing president of Mexico. Though Mr Salinas has been widely billed as the front-runner, many trade diplomats in Geneva believe Mr Ruggiero has a better chance of securing the necessary consensus of Gatt's 123 members.

Mr Ruggiero's nomination, agreed by EU foreign ministers when they met in Usedom, Germany, this month, was yesterday handed to Mr András Szepesi, Hungary's ambassador to the General Agreement on Tariffs and Trade and chairman of the contracting parties (members), who is in charge of the selection process.

EU officials said yesterday that the full weight of European diplomacy would now be turned on winning the WTO post for Mr Ruggiero, who was nominated by his own government last June. Mr Ruggiero himself, a senior executive with Fiat, the Italian motor manufacturer, will be touring world capitals to garner support. His main objective is to convince doubters that Brussels' backing will not make him a champion of narrow EU interests.

Mr Szepesi has called an informal meeting of Gatt members tomorrow morning at which he is expected to announce that Brazil is withdrawing its nomination of Mr Rubens Ricupero, the former finance minister.

Mr Ricupero was forced to resign suddenly this month after the accidental broadcast of remarks implying he was using an anti-inflation plan to boost the election campaign of Mr Fernando Henrique Cardoso, the government's presidential candidate.

Mr Ricupero's discomfiture has clearly strengthened the chances of President Salinas, who may now hope to win the backing of all Latin American states as well as Washington.

However, Mr Salinas has also attracted strong opposition. This is based partly on fears, especially among Asian nations, that he will have too cosy a relationship with the US, Mexico's partner in the North American Free Trade Agreement, and partly on worries by some that his "presidential" style may not be what the WTO needs.

The only other declared candidate, Mr Kim Chul-au, Korea's trade and industry minister, is said to have Asian and Australian support but is generally considered to have little chance of success. EU officials are hopeful that Mr Kim's backers will subsequently line up behind Mr Ruggiero.

The appointment is a more complicated choice than last year's selection of Mr Peter Sutherland as Gatt's director-general, a post he is vacating for personal reasons.

Mr Sutherland's candidacy swiftly gathered support because he was widely perceived as the right man to tackle the completion of the protracted Uruguay Round negotiations.

RIVALS: Front-runner Salinas (right) faces a stiff fight from Ruggiero

Gatt targets Taiwan rice

By Laura Tyson in Taipei

Taiwan is under pressure to open its rice market and drop restrictions on Japanese car imports as it enters fresh talks on joining the General Agreement on Tariff and Trade.

Taiwan, which hopes to join the world trade body by the end of the year, has sent Mr Sheu Ke-sheng, vice-minister of economic affairs, to a final round of meetings in Geneva with the US, the EU, Switzerland, Singapore and Argentina, before decisive Gatt meetings in October and November.

The US is urging Taiwan to open its market to rice imports, a politically sensitive area in Taiwan.

Taiwan is lobbying for an approach similar to that agreed with Korea, under which imports will be phased in gradually over 10 years. But it may be forced, like Japan, to accept a six-year adjustment period.

Beef-exporting countries such as Australia and New Zealand want Taiwan to end discrepancies in grading of beef imports which they believe grant favourable tariff rates to US beef. And fruit exporters want tariffs lowered from a maximum of 40 per cent to a maximum of 20 per cent on imports of eight kinds of fruit.

Japan is keen that Taiwan end its ban on direct imports of cars from Japan. Japanese cars may be sold in Taiwan only if they are made locally through a joint venture or if they are produced in a third country.

Taiwan has already agreed in principle to get rid of this after entering Gatt.

However the tariffication system to be imposed in its place is also under debate. Taiwan is also being asked to cut tariffs on imported motor parts.

Gatt members are pressing Taiwan to dismantle its alcohol and tobacco monopoly by the end of this year and accord foreign suppliers of cigarettes and alcohol national treatment. Taiwan is proposing to send revised legislation to parliament before the end of the year and implement a new system by the end of June 1995.

Taiwan has also been asked to remove import quotas on fisheries products, which it has agreed except in the case of squid and mackerel. Services is the least contentious area, with the main Gatt members having in principle accepted Taiwan's proposed concessions.

Fincantieri starts work on cruise ship

By Andrew Hill in Milan

Fincantieri, the Italian shipbuilder, yesterday began building its fourth and last cruise ship for Holland America Line, part of the Carnival cruise group.

Like its predecessors, the 54,000-ton, 220-metre Veendam will carry 1,600 passengers.

Fincantieri handed over the first ship in the series in December 1992, and the third – the Ryndam – only last Saturday. The Veendam should be handed over in mid-1996. Fincantieri, part of Italy's state holding company Iri, claims to be the world leader in the construction of cruise ships, with a 30 per cent share of the world market in terms of tonnage.

Including the Crown Princess, a 70,000-ton cruise vessel delivered to P&O in June 1990, the company has built or is building 12 cruise ships this decade, fulfilling orders worth an estimated $3.6bn. They include contracts, for Carnival and P&O respectively, for two vessels of around 100,000 tons, the largest cruise ships ever to be built.

Separately, Fincantieri and Finmeccanica, the defence and engineering group which is also controlled by Iri, have set up a joint company to contribute to the Horizon project, which will develop a new generation of frigates for the Italian, French and British navies. The new Italian company, Orizzonte, will join an international consortium with DCN International of France and Yarrow Shipbuilders in the UK, part of GEC Marconi Naval System.

Asean may raise free trade pace

By Victor Mallet in Bangkok

The six members of the Association of South-east Asian Nations (Asean) are expected to accelerate the establishment of their proposed free trade zone when economic ministers meet in Chiang Mai, northern Thailand, later this week.

Ministers are likely to approve a plan drafted by senior officials to shorten the phase-in period for the Asean Free Trade Area (Afta) to 10 years from 15; this would put Afta formally in place at the beginning of the year 2003 instead of 2008.

"The sooner it's effective the better," Mr Anwar Ibrahim, the Malaysian finance minister and deputy premier, said yesterday during a visit to Bangkok. Asean comprises Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Afta's aim is to reduce tariffs on trade within Asean to between zero and 5 per cent. But its relevance has been questioned because of the low volume of intra-Asean commerce (most trade is with Japan, the US and Europe), because of global tariff cuts by Asean members and above all because each country has the right to exclude from Afta any items it regards as sensitive.

So many products have been exempted from the Afta tariff cuts that some Asean governments are trying to draft rules to restrict the practice. Some unprocessed farm products, hitherto excluded from Afta, may in future be included.

According to the latest draft agreement, tariffs on so called "fast-track" products will be cut to between zero and 5 per cent within five or seven years, depending on whether the starting tariff is below or above 20 per cent; for "normal track" products, tariffs will be cut within seven or 10 years.

Asean's economic ministers will also discuss the protection of intellectual property rights in the region and the future of the Asia-Pacific Economic Co-operation (Apec) forum.

Mr Jesus Estanislão, a former finance secretary who represents the Philippines at Apec, said recently Afta could become a "building block" for a broad Apec free trade area mooted for the year 2020.

Malaysia, however, is resisting attempts to make Apec into a formal free trade zone that would include Australia, the US and Canada as well as Asian countries, and has sought to win support for a proposed Asians-only organisation known as the East Asian Economic Caucus.

Major stresses S African free trade

By Kevin Brown, Political Correspondent, in Cape Town

Mr John Major, the British prime minister, yesterday warned South Africa not to allow demands for a rapid improvement in black living standards to block free market economic reforms.

In a wide-ranging address to parliament, Mr Major urged President Nelson Mandela's government of national unity to embrace free market policies that would create jobs and prosperity by attracting "hard headed investors".

He said business confidence, the key to meeting high expectations, could only be maintained through policies encouraging private initiative and competition, and discouraging bureaucratic meddling: "Your people are impatient for results. Yet no government on earth, however benevolent, can develop an economy with strokes of the pen."

UK officials said the prime minister's message, which was repeated in talks with Mr Thabo Mbeki and Mr F.W. de Klerk, deputy presidents, was intended to bolster free market sympathisers within the African National Congress-dominated government.

British ministers have been encouraged by the government's gradual acceptance of the need to privatise part of the state-owned economy to finance its ambitious redevelopment proposals, which will be outlined in a white paper today. Mr Chris Liebenberg, finance minister, said earlier this week that government discussions on privatisation were "progressing very nicely".

Mr Major gave details of a £1.25bn assistance package for South Africa, announced in July, which is described by British officials as the biggest offered by any country since the elections. The package includes £100m in aid, partly delivered through the Commonwealth and the European Union, £1bn in export credit guarantees, and measures to help education, health, sport and small businesses.

UK calls for African peacekeeping body

By Kevin Brown, Political Correspondent, in Cape Town

Britain yesterday called for a fresh international effort to bring peace to Africa through a regional peace-keeping organisation based on the Conference for Security and Co-operation in Europe.

Mr John Major, the British prime minister, said the UK wanted to work with South Africa and other African countries to "turn the tide" against violence and war on the continent.

Mr Major announced the initiative during an historic address to an informal joint sitting of parliament at the beginning of the first official visit to South Africa by a British prime minister since 1960.

Earlier, he met South African President Nelson Mandela for talks on rebuilding the two countries' traditionally close relationship, which was weakened during South Africa's international isolation under the former whites-only government.

Officials said the talks were conducted in "an atmosphere of great warmth", suggesting that the ANC-led government of national unity has forgiven Britain for its less than enthusiastic endorsement of sanctions against the former regime.

Mr Major urged South Africa to join the international community in bringing prosperity to the whole of Africa by helping to pre-empt outbreaks of violence, rather than trying to limit trouble after it had started.

"An entirely new effort at preventive diplomacy is long overdue. With our friends in Africa ... Britain wants to develop new mechanisms to head off conflicts before they become unstoppable," he said.

"We have in mind, for example, setting up regional peacekeeping cells. We need more people trained to mediate and act as peace brokers. We would not need a cumbersome bureaucracy, but a tight and properly resourced infrastructure in Africa."

The British proposals will be spelled out in more detail to the United Nations next week by Mr Douglas Hurd, the UK foreign secretary, who has long sought a bigger role for pre-emptive mediation in international peacekeeping efforts.

However, officials said the plan was intended to build on a recent resolution by the Organisation of African Unity calling for better conflict resolution procedures on the continent.

They said the initiative was not intended to involve large numbers of troops, although the final shape of the peacekeeping force was likely to be determined by the UN and the OAU.

Zulu court split will reshape Natal politics

Buthelezi and the king square up in struggle for traditional support, writes **Mark Suzman**

After 20 years under his uncle's thumb, King Goodwill's dismissal of Chief Buthelezi (*left*) may transform Zulu politics

Two bulls cannot share the same *kraal*, runs an old African proverb.

This traditional wisdom is about to be tested in the South African province of KwaZulu/Natal as yesterday the stage was set for a confrontation between Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party and minister of home affairs in the government of national unity, and the traditional monarch of the 9m-strong Zulu nation, King Goodwill Zwelithini, his nephew.

The outcome of the confrontation, triggered by the king's decision yesterday to dismiss Chief Buthelezi as his "prime minister", will shape the politics of the province for the foreseeable future. For it could determine whether its loyalty shifts from Chief Buthelezi, whose IFP secured 51 per cent of the provincial vote in this year's election, to Nelson Mandela's African National Congress.

What tipped the balance in the April election was the overwhelming backing for the IFP in rural Natal, conservative, traditional and loyal to the king, for the ANC's strength lay mainly in the towns and cities.

It is over this rural turf that Chief Buthelezi and the king will now be fighting for control.

By dismissing Chief Buthelezi from the honorary post of traditional prime minister to the royal house, the King is attempting to deprive the chief of his most powerful political weapon: the ability to claim to act on behalf of the Zulu nation.

Political analysts estimate that between 15-30 per cent of Inkatha's vote was the direct result of the king's entry into the political fray on Inkatha's behalf.

Although Inkatha's powerful political machine and complex patronage network will continue to be able to mobilise large numbers of supporters, many floating voters may now shift their allegiance to the ANC, damaging Inkatha's prospects in next year's planned local elections.

It may also re-inflame political passions in KwaZulu-Natal, where Inkatha and ANC-supporters have been in a virtual state of war that has claimed thousands of lives since the mid-1980s.

Since the election, and Inkatha's decision to serve in the constitutionally mandated government of national unity with the ANC and the National party, violence has dropped markedly.

In the ongoing dispute between the ANC and Inkatha in the provincial legislature on the allocation of cabinet posts and the location of the regional capital, the king has remained studiously neutral.

However, in recent months there have been persistent rumours that the relationship between the king and the chief had started to sour, partly as a result of an apparent thawing of the king's attitude to the ANC.

King Goodwill has also dismissed his former bodyguards, who were political appointments from the KwaZulu police controlled by Chief Buthelezi, replacing them with national troops, and also held several personal meetings with President Mandela.

For his part, Chief Buthelezi has consistently denied reports of a rift with the king. However in the last two weeks he has lashed out at attempts to "vilify" him by members of the royal family - an apparent reference to the growing influence of Prince Mcwayizeni Zulu, a long-standing rival of Chief Buthelezi's and a member of the ANC's national executive, in the Royal Household.

The row over President Mandela's planned attendance at Shaka Day celebrations this weekend, a ceremony central to the Zulu nationalist tradition as a tribute to the kingdom's founder, appears to have brought matters to a head.

Although President Mandela announced after meeting with Chief Buthelezi and the king on Monday night that he had decided not to attend the ceremony, the king appears to have chosen to use the issue as an excuse to break off ties with Inkatha.

The roots of the conflict run back to King Goodwill's accession to the throne in 1971. Before his coronation, the prince had sought to marginalise Chief Buthelezi in Zulu politics. However after the coronation, the chief used his newly-formed Inkatha movement to take control of the Zulu "homeland", forcing the young monarch to follow his lead. The chief also used his position as the king's uncle to claim the post of traditional prime minister.

In the late 1970s Chief Buthelezi forced legislation through the KwaZulu parliament that severely circumscribed the king's political independence and since then has used his power over the KwaZulu budget, which provided the monarch's salary, to insure that the king took no action contrary to Inkatha's interests.

It is ironic that the King's new freedom to speak out against his former mentor is in part the result of Chief Buthelezi's success in playing the royal card during negotiations with the ANC earlier this year.

By making recognition of the monarch's status a condition of his participation in the election, Chief Buthelezi was able *to entrench the position of the* king as traditional ruler of KwaZulu in the new constitution.

As a result, King Goodwill's status and salary are no longer dependent on Inkatha and Chief Buthelezi has no direct authority over the king.

The king yesterday was reported to have cancelled the Shaka Day celebrations this weekend. So far Inkatha officials are putting a brave face on the split and insist that the celebrations will go ahead with or without the king's participation.

However without the monarch's blessing, Inkatha will find it difficult to generate the level of support the celebrations have traditionally enjoyed.

"It's a bit like celebrating Christmas without acknowledging the Christian tradition," said Mr David Welsh, political scientist at the University of Cape Town.

Guerrillas sink Sri Lanka navy ship

The newly-elected Sri Lankan government's efforts to make peace with separatist insurgents in the north of the island yesterday suffered a severe setback when guerrillas sank a naval patrol boat, Mervyn de Silva and Stefan Wagstyl write.

At least 30 sailors were reported dead or missing in the attack, 80 miles north of Colombo. The raid came in the wake of attempts by Mrs Chandrika Kumaratunge, the prime minister who took office a month ago, to start talks with the Tamil Tigers, fighting for an independent homeland for ethnic Tamils. To show goodwill, she lifted an economic embargo and hinted at a possible ceasefire.

Hopes of an early settlement were raised when Mr Velupillai Prabhakaran, the Tigers' leader, gave a rare interview on the BBC's Tamil language service, and voiced his support for peace. But he set tough conditions for talks, demanding the Sri Lankan army abandon a heavily-fortified camp at Pooneryn at the base of the Jaffna peninsula, the Tamil *stronghold*.

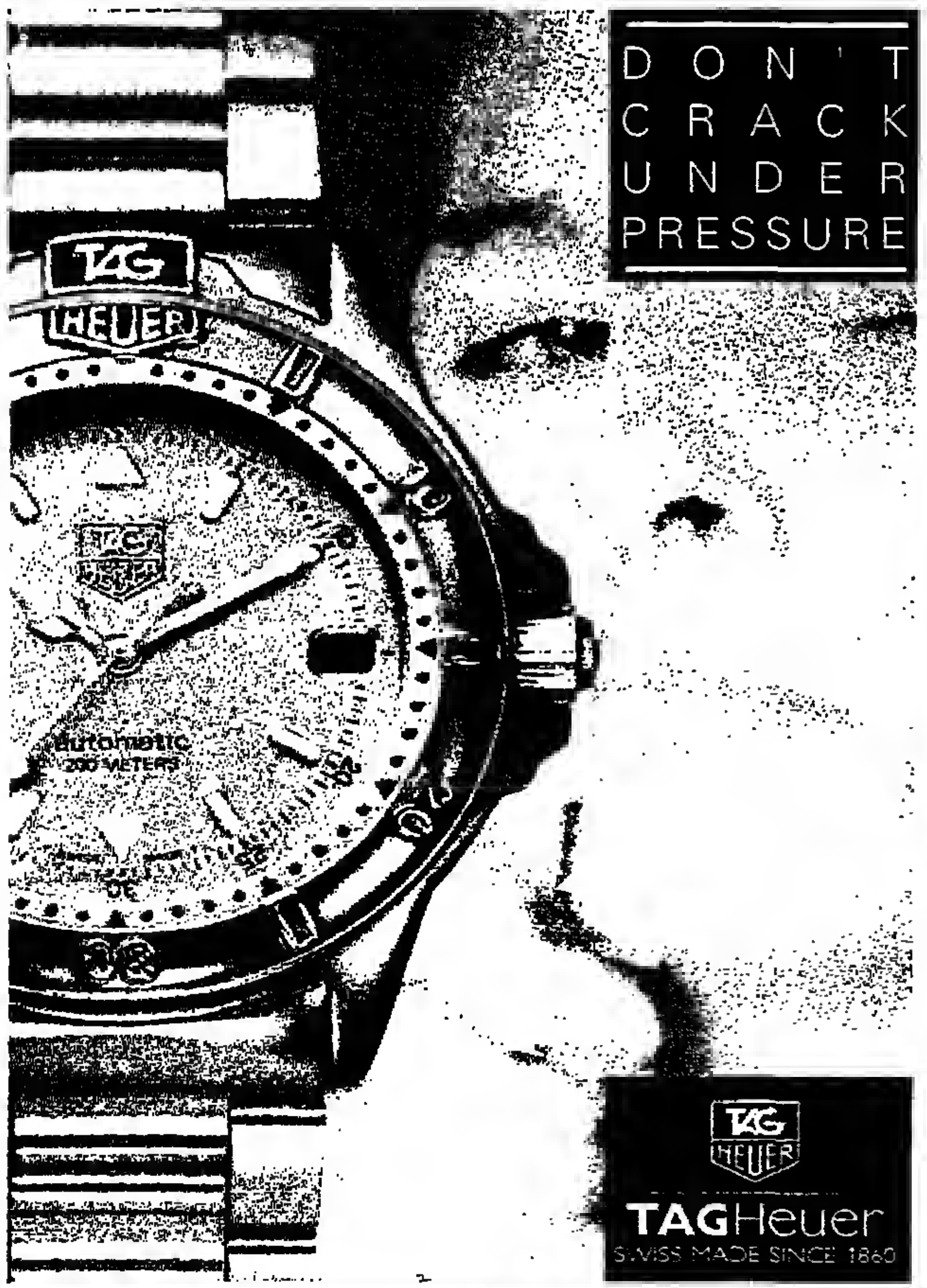
Growth hit

The severe drought which has affected key agricultural areas in Australia's eastern states is expected to shave at least half a percentage point off the country's annual growth rate, Nikki Tait reports from Sydney.

The prediction comes from the Australian Bureau of Agricultural and Resource Economics, the government forecasting agency, and is one of the first official assessments of the national impact of the climatic conditions.

Beijing deaths

An Iranian diplomat and his son were among eight people killed in a shootout in Beijing yesterday and two other of his children were injured, an embassy official said, Reuter reports from Beijing.



Jobs for life hit by Tokyo reversal

By William Dawkins in Tokyo

The Japanese government yesterday gave its blessing to a symbolic challenge to the industrial élite's system of lifetime employment, by approving leading airlines' plans to hire stewardesses on short-term contracts.

The decision, by Mr Shizuka Kamei, transport minister, confirms his humiliating climbdown at the end of last month, when he was forced to withdraw initial opposition to Japan Airlines' plans to recruit part-time staff to cut costs. All Nippon Airways, Japan's second largest airline after JAL, is planning to do the same.

This is a dire setback for the traditional practice of administrative guidance, where government ministries exert behind-the-scenes control on companies, backed up with implied threats. Mr Kamei had hinted that the ministry might refuse new JAL route applications if the airline refused administrative guidance.

This is the latest example of how Mr Kamei's Liberal Democratic party, the largest partner in the three-party coalition, has been striving with mixed success to re-establish authority over the bureaucracy and industry since returning to power at the end of June after a year's absence. The outcome of the row could signal a weakening in government influence on the private sector.

Mr Kamei's attempt to block recruitment of contract staff, ostensibly on safety grounds, drew sharp protests from Japan's main business lobbies, sensitive to increasing use of non-salaried labour.

Lifetime employment has come under growing strain as the rise of the yen has obliged employers to sharpen cost competitiveness.

JAL diplomatically gave Mr Kamei a reason for changing his mind by revising its plans, increasing wages of the contract stewardesses although they will still earn much less than salaried staff.

Japanese parties 'within days' of tax reform deal

By William Dawkins in Tokyo

Officials of the three parties in Japan's coalition government last night said they were within days of unblocking a long-standing deadlock over controversial tax reforms.

They are aiming to reach an outline accord, by today or tomorrow, to extend this year's Y5,500bn (£35bn) income tax cut to next year and make a permanent cut of Y3,500bn thereafter, said officials. Coalition members were also moving towards increasing the unpopular 3 per cent sales tax by an unspecified amount in April 1997.

The government was hoping to release its tax package yesterday, but was held up by the Social Democratic party's continued reluctance to accept any rise in sales tax.

The SDP, many of whose members were elected last year on a promise to scrap sales tax, yesterday agreed to leave a final decision to Mr Tomiichi Murayama, the party leader and prime minister.

The final details, closely watched by an anxious US government, will have a critical influence on domestic demand, just as Japan is at the early stage of a tentative, consumer spending led economic recovery. This is the biggest test of the unity of the coalition of conservatives and socialists since it took power at the end of June.

Mr Lawrence Summers, US treasury undersecretary for international affairs, yesterday urged Japan to ensure "there is no premature withdrawal of fiscal support for recovary". Japan had failed to carry out its promise to deregulate, to create an economy driven by consumption and demand, he said.

"There is not enough strength in demand to dispel caution about the outlook," said Mr Summers, a view likely to be confirmed with today's publication of Japan's gross domestic product for the second quarter to June.

Washington wants the rise in sales tax to be delayed as long as possible, to give full scope for domestic demand for imports to reduce the huge trade surplus.

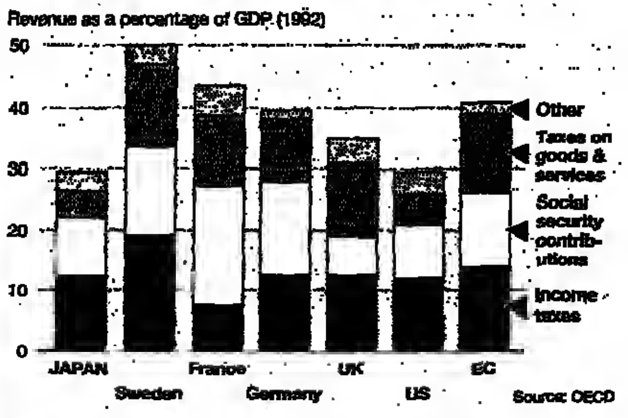
The tax package will therefore influence the US stance on whether to impose economic sanctions on Japan, a decision due in 10 days' time, the deadline for an elusive US-Japan trade accord.

A divided Japanese government last year agreed a one-off Y5,500bn tax cut for 1994, pending further debate on a rise in consumption tax, sought by the finance ministry, which is eager to bolster its declining tax revenue.

Another factor in the delay has been the insistence of the New Harbinger party, the smallest member of the coalition, that any rise on sales tax must be accompanied by cuts in spending on government administration.

Not surprisingly, civil servants have resisted the NHP's plan, the latest round in a long power struggle between politicians and the bureaucracy.

Japan's tax revenue compared



Source: OECD

Productivity advances expected at D-Ram facility in central Japan

Toshiba plans Y100bn chip plant

By Michiyo Nakamoto in Tokyo

Toshiba, the Japanese intagrated electronics company, is to invest Y100bn (£645m) over three years in a new semiconductor factory it will build in Japan that will significantly boost its chip production capacity.

The proposed investment, announced yesterday, helps ease fears that Japan's industrial base is "hollowing out" as a growing number of Japanese manufacturers have stepped up investments in overseas plants in order to combat the adverse effects of a high yen.

When completed, Toshiba's chip factory – to be built in Mie Prefecture in central Japan – will be the largest in the country.

With the new plant, Toshiba will add production capacity of 4.5m 16-megabit dynamic random access memory chips (D-Rams) per month to its current capacity of 3m a month.

The company also plans to raise productivity in its semiconductor operations by 2.5 times over the next three years by cutting development time and reducing the number of processes involved in manufacturing.

The new plant will eventually produce next generation 64-megabit D-Rams, which are expected to be in strong demand by about 1997.

The race to increase semiconductor manufacturing capacity has been spurred by buoyant demand for semiconductors, particularly D-Rams, from the computer industry.

Toshiba, for example, saw revenues grow 6 per cent last year and expects to see a 14 per cent rise to Y830bn in the year to March 1995.

Industry leaders, however, believe there is a pressing need for greater investment in capacity to meet expected buoyant demand.

Japanese semiconductor makers have slipped behind in their capital spending in recent years, compared with investments by US companies.

Korean semiconductor manufacturers, which have been fierce competitors in the D-Ram market, are also stepping up investments.

Not to be left behind, Japanese semiconductor companies are increasing spending this year on manufacturing facilities.

NEC, which is one of the largest semiconductor manufacturers in the world, is building a new chip plant in southern Japan, at a cost of Y95bn, to make advanced generation chips and has indicated its intention to invest a similar amount in another plant, possibly in Scotland.

Altogether NEC plans capital spending of Y110bn this year, up from Y90bn last year and in line with its peak level of expenditure in the semiconductor business in 1990.

Toshiba plans capital spending in its semiconductor operations of Y90bn this year compared with Y80bn last year and a peak of Y125bn in 1990.

Aung San Suu Kyi before her arrest five years ago Reuter

Burmese junta meets Suu Kyi

By Victor Mallet in Bangkok

The leaders of Burma's military junta yesterday met Ms Aung San Sun Kyi, the detained pro-democracy campaigner, in the first such face-to-face talks since they placed her under house arrest five years ago.

Gen Tan Shwe, head of the ruling State Law and Order Restoration Council (Slorc), and Lt-Gen Khin Nyunt, the powerful chief of military intelligence, were shown on state-controlled television meeting Ms Sun Kyi at an official guest house in Rangoon. The commentary described the talks as cordial but no further details were released; it was apparently the first time she has been let out since being held.

Burma's military rulers are attempting to liberalise the economy after years of stagnation while trying to improve their international image.

The economy is growing with the help of Singaporean, Thai and other foreign investment, but efforts to regain international respectability have been hampered by repeated human rights abuses. The armed forces killed hundreds of people when they crushed a pro-democracy uprising in 1988, and then ignored the results of an election in 1990 won overwhelmingly by Ms Suu Kyi's National League for Democracy.

The origins of yesterday's meeting lie in a trip to Rangoon in February by Mr Bill Richardson, a US congressman and ally of President Clinton. He became the first foreigner other than her relatives to meet Ms Suu Kyi and said then she and Gen Khin Nyunt would determine Burma's future.

Reconciling the two sides, however, will be not easy. Ms Suu Kyi, daughter of Gen Aung San, the man who led Burma to the brink of independence from Britain, says she respects the army as an institution, but she has refused to leave the country as demanded by the Slorc and insists on the need for democracy.

Biological weapons under scrutiny

By Frances Williams in Geneva

Officials from 80 countries are meeting in Geneva to discuss how to strengthen the 1972 treaty banning biological weapons, with measures to guard against cheating.

The treaty currently has no provisions to check compliance.

The two-week conference, which ends on September 30, will examine a report produced last year which concluded that verification measures would be both feasible and useful. The report lists 21 types of procedure, ranging from data exchange to on-site inspections, although it concedes that no foolproof method exists.

According to US intelligence, China, Iran, Syria and Russia possess biological arms; and Eygpt, Taiwan and Libya may have them. Iraq's programme has been terminated by the United Nations.

Verification of biological weapons poses technical and political problems, which were thought insuperable when the 131-member Biological and Toxin Weapons Convention was negotiated in the 1960s.

Biological weapons are harder to detect than nuclear or chemical arms; they can be easily produced and stored in tiny quantities; and the agents and equipment often have peaceful as well as belligerent uses, for instance vaccines.

This has raised fears that checking for biological weapons would involve snooping around unrelated military facilities. Western countries, notably the US, are also concerned to protect the commercial secrets of private biotechnology companies.

Mr Tibor Toth of Hungary, conference chairman, said he did not expect anti-cheating measures to be approved this time. The likely outcome is a decision to launch negotiations on verification procedures, which could be endorsed at the next conference in 1996.

Overall July deficit $11bn

Trade gap in US goods near record

By George Graham in Washington

The US trade deficit continued its steadily worsening path in July, recording the second largest monthly deficit ever for trade in goods.

The overall trade deficit climbed to $10.99bn (£7bn) in July, compared with a deficit of $9.04bn in June, the Commerce Department reported yesterday.

Total exports fell to $56.47bn from $58.36bn in June, while imports remained virtually flat at $67.46bn.

Most of the swing resulted from a $1.7bn drop in exports of goods, which took the goods deficit to $15.7bn, a total the US has exceeded only once, in December 1985.

Mr Ron Brown, the US commerce secretary, said that most of the decline in exports was caused by one-time factors, including a gap in aircraft production as makers sought to absorb slack in their order books, which cut aircraft exports to their lowest in five years.

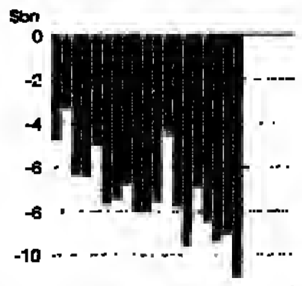
In addition, he said, the new car model year meant a decline in exports of vehicle components for assembly in Canada, and there was an unusual $200m drop in exports of artwork.

"These factors are not indicative of the economy's long term trend," Mr Brown insisted. "US exports, which have shown consistent growth, are still 10 per cent higher than this time last year."

Despite the weakness of the dollar, which might have been expected to improve US export performance, the trade deficit has continued to worsen all year as the US, much further into its economic recovery than its main trading partners, has sharply increased its imports of goods.

Using three-month rolling averages, US goods imports have risen by 10 per cent since the beginning of this year, while goods exports have risen by only 3 per cent.

US overall trade balance



Source: Datastream

A 15 per cent improvement in the US's surplus in services *over the same period has not* been enough to offset this deterioration.

But economists expect that faster growth in Europe and Japan in the second half of this year, coupled with slower growth in the US, will eventually narrow the trade deficit.

The US's trade balance with most of its main trading partners worsened in July. Its goods deficit with Japan widened to $5.67bn, compared with $5.52bn in June, while the deficit with the European Union widened to $1.93bn, from $1.32bn in June.

The failure to narrow the trade deficit with Japan fuelled speculation of a clash when the deadline for completing the US-Japan framework talks expires at the end of next week.

The only area where the US trade balance improved last month was Latin America. Mexico led the way, with the US goods surplus rising from $198m in June to $595m in July as the benefits of the North American Free Trade Agreement began to be felt. The US also recorded larger surpluses with Argentina and Colombia, and smaller deficits with Brazil and Venezuela.

IFC to double financing to $5bn by 1999

By Nancy Dunne in Washington

The International Finance Corporation, the World Bank's private sector arm, expects to double its financing in the next five or six years to $5bn to keep pace with the rapid growth in emerging markets and the *shift* towards private sector development.

According to its annual report released yesterday, it approved a record $2.5bn in financing last year and increased its net income 82 per cent to a record $258m (£166m).

"If you put together policy reform plus a vibrant private sector, the result is a strong demand for financing in the developing countries. That means a strong demand on the services of the IFC," said Mr Jannik Lindbaek, the executive vice president.

Last year's 15 per cent increase in financing helped to fund 231 projects valued at $15.8bn. The projects ranged from farm privatisation in Russia, to capital market development in Zambia, privatisation of telecommunications systems *in eastern Europe*, investment in the first leasing company in Romania, and the formation of private pension funds in Peru and Argentina.

Past IFC projects have proved to be profitable investments. Sell-off of mature investments last year produced $241m in capital gains.

The IFC has been placing increased emphasis on developing infrastructure, where a quarter of financing went last year. However, the IFC's efforts in infrastructure pall next to the need, which the World Bank Development Report estimated at $200bn a year over the next decade.

To mobilise investment in infrastructure, the IFC is creating special investment funds like the Asian Infrastructure Fund, which has a target of $1bn.

The IFC has also stepped up *its* efforts to develop capital markets, including setting up finance and leasing companies, commercial banks, pension funds and life insurance companies.

According to Mr Lindbaek, this is "for the long term the only acceptable solution" to sustained development because "domestic savings are then channeled through domestic financial institutions into the project of the country."

The $579m in capital markets projects approved by the IFC last year include four credit lines to commercial banks in Lebanon, investment in Romania's first leasing company, and assistance in Vietnam and China for the development of legal and regulatory frameworks in their capital markets.

Sub-Saharan Africa remains a big challenge for the IFC, and Mr Lindbaek expects the agency to beef up efforts to set up small and medium enterprises in the region.

Last year IFC approved financing of $157m for 57 projects, including investments through the Africa Enterprise Fund.

It has also begun work on two initiatives in sub-Saharan Africa, the first to provide post-investment operational advice to small and medium-sized companies and the other to finance micro-enterprises.

Brazilian candidates ignore fears of violence

By Angus Foster in São Paulo

Heavy machine guns and assault *rifles* are commonplace on the streets of Vigario Geral, a shanty town 20 minutes' drive from Rio de Janeiro's banking district. The town's drug den, at the end of the main street, is patrolled by heavily armed "soldiers" working for the local trafficker, Flávio Negão.

In most respects Vigario Geral is just another Brazilian shanty town, or *favela*. Its streets are unpaved and its sewage untreated. Although it was settled more than 30 years ago, there is still no road access and the only entrance is an elevated walkway over a railway line. The population of 25,000 has two telephones.

But in August last year 21 residents of Vigario Geral were executed by about 30 masked gunmen. The gunmen were alleged to have been police officers, many of whom are now on trial, seeking revenge either for the murder of some colleagues or for an extortion attempt that had gone wrong. The 21 dead residents turned out to be ordinary workers and none was involved in the drug business.

Violence is common in Brazil but the scale of the Vigario Geral massacre stunned the country. It prompted the setting up of the Viva Rio movement to tackle violence and improve the city's image.

According to most national polls, people rank violence as their first or second concern but it is hardly addressed by the main candidates in presidential and congressional elections next month.

Mr Fernando Henrique Cardoso, the front-runner for president, says security is one of his five priorities. But in nightly TV broadcasts, which all candidates are allowed under elections rules, he has spent much more time discussing economic issues, health and even agriculture.

Mr Caio Ferraz, a sociologist living in Vigario Geral, said he invited candidates for the governorship of Rio state to debate public security. None turned up, and two candidates did not even reply.

Politicians blame rising violence on the Brazilian state which, in the last past 10 years of mounting economic and social problems, has steadily lost credibility as the police, justice system and prison service have been underfunded and overburdened.

São Paulo's 70,000-strong police force is 17,000 less than the level required by state law. The state has one judge for every 20,000 people, compared with one for 5,000 in Europe. The justice system is slow and bureaucratic.

"If we arrested all known criminals there would not be room to lock them up," says Colonel *Hermes Bittencourt* Cruz of the São Paulo police.

It is probably worse in Rio, where the police force has been seriously undermined by corruption and involvement in drug trafficking. Mr Antônio Carlos Biscaia, attorney general, complains: "Police go to drug traffickers with arrest warrants hot instead of arresting them, they negotiate the price to let them go free. Crime is not unique to Brazil but our mechanisms to fight crime don't work. Yet the politicians say Brazil has lots of other social problems, and security is relegated down the list," he says.

More important, according to Mr Ferraz, is the political will to change the way the state acts. He points to Vigario Geral's shortage of phones and *unpaved roads*. By comparison, the government this month opened a 21km stretch of dual carriageway road that runs right past the *favela*.

"The state has always excluded us in the *favelas*," says Mr Ferraz. It is not doing anything here to help us, only we are."

Brazil's presidential hopefuls may ignore such complaints but dealing with these problems and tackling violence will be urgent priorities for whoever wins the elections.

Fears of overvalued Real

By Angus Foster

Brazil's central bank yesterday intervened in the foreign exchange markets for the first time since the July launch of a new currency, the Real. The bank was reported to be buying moderate quantities of dollars in return for Reals.

The move follows mounting concern that the Real is overvalued against the US dollar. Foreign investment, mainly via the stock market, has flowed into Brazil since the currency's launch, amid rising optimism about the country's economic outlook.

The Real has appreciated nearly 15 per cent since July and yesterday opened at 0.85 to the dollar.

But the rise in the Real has led to worries, especially among exporters, that Brazil's trade performance might suffer. With foreign exchange reserves of more than $40bn, and a trade surplus of $13.1bn last year, the country faces no serious balance of payments risk. But the government is also in the process of lifting import tariffs and is trying to soften the impact of greater foreign competition on some less-competitive sectors of the economy.

Aristide sees rivals still in power

Jurek Martin profiles Haiti's turbulent priest in exile

The agreement producing the peaceful US occupation of Haiti has been broadly approved, even if with some reservations, in the US. But the one man in whose name it was effected remained noticeably unenthusiastic.

Father Jean-Bertrand Aristide, the ousted president who now lives in a modest one-bedroom apartment in the middle of Washington, stayed silent for a day and a half after President Bill Clinton announced the deal negotiated with the Haitian military leaders. Yesterday he issued a terse statement calling for "a state of law so that there will be neither violence nor vengeance in our nation", but pointedly refusing to endorse the agreement.

Fr Aristide's supporters have been less reticent. Randall Robinson, the human rights activist, Michael Barnes, the former congressman from Maryland in charge of public relations for Fr Aristide and Robert White, the ex-diplomat, have all criticised Sunday's agreement on the grounds that it leaves the military junta free from criminal charges for human rights abuses and under no obligation to leave Haiti.

Nor was Fr Aristide's name other than perfunctorily mentioned in the ceremonies marking the return of the US team headed by former President Jimmy Carter. One of its members, Senator Sam Nunn of Georgia, even went so far as to disclose that he had told the junta not to equate democracy with one man – Jean-Bertrand Aristide.

In reality, the ousted president probably has little alternative but to accept once again the hand he has been dealt, if he wants to return to his homeland for the year-plus left of his term. But he will surely go back a different man.

The US administration has found him hard to characterise over the last three years. A typical assessment came over the weekend from Bill Gray, the US special envoy to Haiti. "Who is Aristide?" he asked rhetorically. "He's a Haitian. A priest. An intellectual. An ideologue. Not your practical pol who has lived in a functioning democracy."

Fr Jean-Bertrand Aristide certainly was – and perhaps in some measure still is – a classic product of the school of liberation theology which has caused so much controversy in the Roman Catholic Church over the last generation. What separates him from the large class of politically activist priests is that he carried his beliefs in defiance of Rome all the way into the elected office of the presidency of his country.

He was born, on July 15 1953, in the southern fishing village of Port Salut. His father, a land-owning peasant, died when he was young and in 1959 he moved, with his mother and sister, to Port-au-Prince.

His education was at schools and seminaries run by the Salesian Fathers in the Haitian capital, with his novitiate spent, in 1974-75, in the neighbouring Dominican Republic. He obtained his bachelor's degree in psychology from the University of Haiti in 1979 and, after further studies in Italy, Israel, Britain and Canada, was ordained a priest in the Salesian Order on July 3 1982, and was assigned as curate in the St Joseph parish on the outskirts of Port-au-Prince.

From the very outset, Fr Aristide was an outspoken critic of the Duvalier dictatorship. He used his religion as a club – or, as he once put it, "the Gospel, in its raw form, could act like a stick of dynamite". More practically, he set up centres for the homeless, community stores, car washes and schools to cater to the needs of the destitute.

Duvalier's exile in 1986 in no way calmed his social and political activism and he was a thorn in the side of the subsequent military regime. Twice, in 1987 and 1988, he barely escaped assassination attempts, in the second of which 12 of his parishioners were killed and over 70 wounded at his church, now Saint-Jean Bosco in Port-au-Prince.

But his relentless criticism of the status quo also brought him into severe conflict with the local Catholic hierarchy, always close to successive authoritarian regimes in Haiti, and with the Vatican. In 1987, the Salesian Fathers tried to persuade him to stop preaching in favour of the poor and to leave Haiti, but he resisted.

In 1988 he was expelled from the order. He appealed, but received no response from Rome for two years – until the month he was elected president. He then spent more than a year, admittedly depressed at the conflict with his religious superiors, but also writing extensively.

The military regime was overthrown early in 1990 and general elections called. Initially, Fr Aristide refused to run for office, but he registered as a presidential candidate on October 18, the deadline for filing. On December 16, he won over two-thirds of the vote and became Haiti's first democratically elected president.

He was sworn into office on February 7 1991, but only after an attempted coup in January, led by Roger Lafontant, former head of the Tonton Macoutes, was undone by massive street protests by his supporters. In the course of this, the Catholic cathedral in Port-au-Prince was burned and the Vatican embassy sacked.

As president, Fr Aristide confounded expectations based on his lifelong criticism of neo-colonialism and international financial institutions by entering negotiations with the IMF and World Bank. He accepted the need for reform, including higher taxes, a devalued currency and cuts in the state bureaucracy.

His heart, however, remained clearly well to the left of centre on any political chart, with programmes promoting literacy and radical reorganisation of the peasantry.

But his party, the National Front for Change and Democracy, did not command the legislature and increasingly he relied on organised popular demonstrations to get his way.

At least twice Fr Aristide spoke approvingly of the use of the "necklace" (the burning tire placed round the neck of the victim). He also established his own armed presidential guard, evidence, to his critics, of increasing paranoia.

He attended the UN general assembly session in New York in September 1991, at a time when coup rumours were rife. The denouement finally came after his return, on September 30, with the army coup led by Lt Gen Raoul Cédras. Fr Aristide fled to Venezuela and later in the year took up residence in Washington.

His financial sustenance since then has come from the approximately $35m (£22.5m) in Haitian official financial assets in the US frozen by the Bush administration in the wake of the coup. These funds have also helped underwrite the vigorous international public relations *campaign* for his restoration to power.

In Washington, he has been a predictably controversial figure. Conservatives, including powerful forces inside the CIA, had long ago suspected him of anti-Americanism and began publicly to question his mental stability. His brief term in office, during which he compared himself with Robespierre, provided plenty of ammunition for those determined to cast doubt on his democratic credentials.

But he established influential alliances with the US congressional black caucus, which proved pivotal in the unfolding Clinton administration policies towards Haiti. He was also circumspect in criticising both the Bush and Clinton administrations and demonstrated, in the abortive Governor's Island agreement, considerable flexibility.

But in recent weeks, as the momentum towards his restoration by force gathered pace, it became clear that Fr Aristide accepted that he had to convince his US patrons of his democratic credentials.

Thus, last Friday, he confirmed what Mr Clinton had said the night before – that, in accordance with the Haitian constitution, he would not stand in presidential elections due in December next year. He had maintained that the 1991 coup had deprived him of three years of his term of office, which he was entitled to reclaim.

The words he used were music to the administration's ear. In a democracy, he said, "it is the second election that is the most important". He also committed himself to amnesty and reconciliation and held out the hope that his people could now move "from misery to poverty – with dignity".

But that was spoken under the assumption, reasonable given Mr Clinton's commitment, that the junta would be physically gone when he got back – even if out of the reach of Haitian or other justice. Now they are being spoken of, if not as heroes, then as simple military men of honour with whom past and present US presidents can do business. Swallowing this bitter pill will surely test the Christian charity that was not always his most visible trademark while president.


Aristide: unenthusiastic


Haitians wave and salute at a low-flying US army helicopter as American troops arrive in downtown Port-au-Prince, the Haitian capital, to implement the agreement between Washington and the Haitian junta

Reuter

US armed forces sink their differences

By George Graham in Washington and James Harding in Port-au-Prince

When US Army troops took off in helicopters from the deck of the aircraft Eisenhower this week to land in Haiti, they were taking part in the first full-scale experiment in getting the different branches of the armed forces to work together more flexibly.

Although the landing was not, in the end, opposed, it still provided an operational test for the Pentagon's new concept of Adaptive Joint Force Packages, which attempts to break down the traditional demarcations between the various services' roles.

Amphibious assaults have in the past been the *province* of the *marines*, who operate under the navy's flag. Yesterday the marines took over the city of Cap Haitien, on Haiti's north coast, in a traditional amphibious landing from the assault ship Wasp.

But the main landing in Port-au-Prince came from the 1st Brigade of the army's 10th Mountain Division, using the Eisenhower as a "lily pad", in the words of Captain Alan Gemmill, the carrier's commander, for their Blackhawk and Cobra helicopters.

This is believed to have been the first time that aircraft carriers have deployed for hostilities without their air wings.

Service rivalries have been a pervasive problem for the US armed forces, *which still maintain separate air forces* for the navy, marines and army, quite apart from the air force itself.

Each service's insistance on developing its own equipment has greatly increased procurement costs, and *co-operation* on joint operations has sometimes broken down.

But budget constraints have made each branch of the armed services eager to demonstrate *its flexibility*. The navy has a particular stake in showing that its carriers can be adapted, since one of the areas in which the Pentagon is most often suggested to be overweight is in its 12 aircraft carriers

The Adaptive Joint Force Packages concept is credited in particular to Admiral Paul Miller, who as command*er-in-chief* of the US Atlantic Command is the overall commander for the Haiti operation.

All services seemed happy with the first army/navy co-ordinated landing of its kind. Officers from the Eisenhower *showed a touch of pride* in *having* carried 51 army helicopters and the full array of surveillance aircraft.

Army Private Mazur, now landed in Haiti, said he had a new respect for his colleagues on the water, who not only ferried him there but also built new parts for army machinery on demand. They also showed him the way round the aircraft carrier when he got lost.

By Monday evening, along with Pte Mazur, most of the 2,000 light infantrymen on board had been lifted into Port-au-Prince.

Welcome, and scepticism, for soldiers

James Harding reports from Port-au-Prince

Thousands of people took to the streets of Port-au-Prince in a festive mood yesterday as more and more US troops rolled ashore and took up positions throughout Haiti.

Many Haitians came simply as spectators. Others, buoyed up by the US presence, celebrated what they saw as the end of a military rule.

But as "Operation Restore Democracy" continued into its second day without a logistical glitch, Haitian expectations looked set to run beyond the parameters of a peace-keeping mission.

Whether the US can end the operation as smoothly as it began will depend on how it limits its role in reviving a decrepit political culture and a bankrupt economy.

The display of US army high-tech machinery was satisfying people in the meantime. Huge crowds lined the mile-long quayside jostling for a glimpse of the trucks and jeeps rolling off US supply ships.

At the airport, people clung to the perimeter fence to watch the troops landing in vast C5 and C141 transport aircraft.

On the balconies and rooftops around the city, those residents not yet fed up with the relentless drone watched convoy after convoy of low-flying helicopters ferry army supplies to US positions.

By early yesterday morning, over 3,300 US personnel had landed in Haiti. With an amphibious landing at Cap Haitien due later in the day to secure a bridgehead in the north of the country and commercial flights employed with army aircraft to carry more people in, the number of troops was expected to have at least doubled by this morning.

US troops fanned out from secure points through Monday night and during the day yesterday to set up patrol stations. The American units have been sent with French-speaking interpreters.

The intention is clearly to move towards multinational patrol groups, including either a Haitian soldier or member of the UN coalition of forces as soon as possible.

The expanding US presence inspired jubilation in some quarters. Dancing celebrations gathered momentum quickly. In one instance, a group of Aristide supporters rallied round a line of 10 US trucks headed into one of the city's poorer districts.

As they walked, they chanted the increasingly common cry, "mi no te Cédras" ("handcuff Cédras"). Soon the walk had turned into a skipping march and the chant into a song, "ba ma Aristide too suit" ("give me Aristide right now").

The group of hundreds grew to thousands who, having ripped branches from the trees, waved them in a frenzy. Observers were overwhelmed by big hugs, big smiles and the big promise that "Aristide will bring peace, will bring money, will bring food".

In some areas, the ecstasy seems to have been premature. There were reports of anti-Cédras demonstrations ending in violent beatings from militia still loyal to the army general.

The failure of US forces to intervene highlighted the inadequacy of operational instructions delivered to date – plans were still evolving as to how the US would police the country in co-ordination with Haitian officers.

Up on the hills above the city, in the contiguous town of Pétionville, Haiti's wealthy elite remain sceptical that US forces will satisfy popular needs or aspirations.

Many of the Haitian bourgeoisie expect that an Aristide government would be no better than rule by Cédras, and possibly worse.

"One man is not *a democracy*," said the manager of Haiti's only functioning brewery. According to his point of view, the Clinton administration has made a miscalculation. "This is not a human rights problem, there aren't cadavers piled up on street corners. This is not a political issue alone. The problem is poverty – it is economics."

Lonrho in sanctions probe

By Robert Peston and Roland Rudd

The Bank of England is investigating whether Lonrho breached United Nations sanctions by selling a film about the Lockerbie bombing to an Egyptian company with links to Libya.

The outcome of the investigation is likely to have an important influence on the battle between Lonrho's joint chief executives, Mr Dieter Bock and Mr Tiny Rowland. Mr Bock wants to depose Mr Rowland, who took a personal interest in both the making and disposal of the film.

Three weeks ago, Mr Bock's position in the company was weakened considerably when his fellow directors forced him to abandon a plan to propose at a board meeting that Mr Rowland should be stripped of his executive powers.

He is likely to try to regain the initiative in the battle for power by arguing to the international trading group's board that Mr Rowland is responsible, if sanctions are found to have been breached.

The investigation into the film sale is being carried out by the Bank of England's Sanctions Emergency Unit, whose role is to ensure that the financial aspects of UN sanctions are not breached by UK entities.

Under the latest version of the sanctions, introduced on December 1 1993, UK companies are required to seek the Bank's permission before "parting with ... investments to ... a Libyan person [a company or individual]". The Bank's permission in this case was not sought.

The film, which is close to completion, argues that the Libyans were not responsible for the bombing of Pan Am flight 103 over Lockerbie. Its £632,948 budget was financed by Lonrho's Metropole subsidiary, a third owned by the Libyan Arab Finance Company.

Earlier this year, after Mr Bock complained about Lonrho's involvement in the film, it was sold to the Cairo-based Joint Arab International Investment Company, or Jaico, for £200,000. On April 7, Barclays Bank in Birmingham received a payment of £199,989 from the Cairo branch of Arab International Bank, Cairo.

However, the signatory on the sale agreement on behalf of Jaico was Mr Mohamed El Huwej, who is chairman of Lafico, the main investmant vehicle of Colonel Muammer Gadaffi, the Libyan leader.

Because of this apparent connection between Jaico and Lafico, Mr Rowland was formally requested in writing by Mr Martin Bolland, Metropole's managing director, to obtain a written statement from Mr El Huwej on his relationship with Jaico. It is not known whether this statement was provided.

Mr Rowland was last night unavailable for comment.

Lloyd's cost control 'lamentable'

By Christopher Price

A leading underwriter yesterday attacked the "amazing £500m per year" Lloyd's of London insurance market spends on outside advisers who assist in handling insurance claims.

Mr Mark Brockbank, chief underwriter to the largest Lloyd's syndicate, told a conference in Singapore that the expenditure must be reduced.

"Our control over these costs has, quite frankly, been lamentable," he said. "However, I am determined that this situation should change."

Lloyd's handled around £7bn in claims last year. Those involved in claims assistance include lawyers, accountants, surveyors and loss adjustors.

Mr Brockbank said: "We must begin to set out formal terms of reference and not be shy about discussing rates, estimates and in certain cases require tendering in those we employ.

"In failing to do this we have been too gentlemanly. This cannot continue, because while we have good relationships with many of our advisers, you are our clients and it is you who end up paying the bill in future rates for this approach."

He said that the NewCo project, a reinsurance company being set up by Lloyd's to ring fence liabilities incurred before 1986, was a positive initiative which would allow the market to control its costs.

Mr Brockbank also urged underwriters to take "a more proactive role in the claims process" by appointing adjusters empowered to approve certain repairs and expenses.

In an interview later, Mr Brockbank identified legal fees as "by far the biggest cost component".

Retailers sign for Camelot

By Raymond Snoddy

Camelot, the consortium that will launch the UK's National Lottery on November 19, has signed up most of the country's leading retail chains for its initial network of 10,000 stores to sell tickets.

The list includes selected stores from Tesco, Sainsbury, Safeway, W.H. Smith, Menzies, Woolworth and the Co-op. But at least 55 per cent of the first 10,000 retailers will be independently owned outlets, including independent grocers and newsagents, off-licences and post offices.

Shops had to be in prime locations with normally at least 500 customers a day and long opening hours.

Mr Norman Hawkins, Camelot's commercial director, said he was confident the initial retail outlets would "enable more than 80 per cent of the adult population in the UK to be within easy distance of a lottery outlet at home or at work".

The jackpot prize for the first live draw on BBC1 on November 19 could be as much as £2m.

Camelot expects to sign a three-year television deal with the BBC later this week.

Fergus Wilkie

Tickets for the national lottery will be available initially from 10,000 stores

Adams set to meet Congress members

By George Graham in Washington

Mr Gerry Adams, head of Sinn Féin, is expected to meet members of both houses of the US Congress when he visits Washington next month. Mr Adams yesterday applied for a US visa.

Although congressional committees traditionally do not hold full-scale hearings for foreign visitors, Mr Adams is expected to meet members of the Senate foreign relations committee for a "committee coffee", and meetings are also likely with members of the House of Representatives.

On his first visit to the US earlier this year, Mr Adams was restricted to New York by the terms of his visa, and was not able to meet members of Congress in Washington.

Other leading Northern Irish politicians have also been beating a path to Congress's door. Mr John Hume was due to meet senators yesterday afternoon, and a delegation of Ulster Unionists is to arrive in Washington today.

Britain in brief

Lib Dems sketch terms for pact

Mr Paddy Ashdown, leader of Britain's third political party, the Liberal Democrats, has begun to sketch out his terms for a future partnership with the opposition Labour party, believing that both parties could combine forces to defeat the Conservatives at the next election.

Mr Ashdown has been unwilling to publicly discuss relations with other parties at the Liberal Democrats' conference this week. But he is understood to believe that Mr Tony Blair's election as Labour leader has created an opportunity to transform British politics.

He has set out a series of conditions which Labour must meet before he would consider serious co-operation. They include unequivocal backing for proportional representation, a stance which the Labour leader has so far refused to adopt.

With the clear divisions within his own party and serious doubts over Labour's response, the Liberal Democrat leader is determined not to rush into the arms of Mr Blair.

Mr Ashdown faced his latest defeat when the conference defied party leadership and aligned itself with Labour by backing the introduction of a system of minimum hourly wage rates.

The conference did unite when it voted by an overwhelming majority not to abolish the British monarchy, but called instead for "a radical trimming" of the royal family's budget. It marked the first debate at a political party conference on the issue.

Watchdog paper on investment products

Detailed plans for giving customers more information about investment products such as unit trusts were set out yesterday in a consultation paper published by City of London regulators.

The Personal Investment Authority, the watchdog to protect the private investor, is seeking comments by late October on applying a new regime to provide investors with more information about certain investment products and about their fees and charges.

Fall in building societies' new loans

A fresh reminder of the fragility of the recovery in the UK mortgage market came yesterday with figures showing a slight drop in new net lending by building societies in August.

The fall came before the impact of higher interest rates on home loans, reinforcing fears among lenders that the housing market recovery might be delayed until next year.

Traffic plan for Channel link

An ambitious traffic management and driver information scheme which could eventually cover the entire UK motorway network was unveiled at the Channel tunnel terminal in south-east England yesterday.

The Pleiades project, partly funded by the European Union, involves the collection of weather and traffic data for transmission to variable message signs at the roadside and to in-car receivers. It is part of a wider evaluation of traffic management systems on both sides of the Channel and includes motorways linking the tunnel with Paris and Brussels.

Brewers demand 50% cut in beer duty

A delegation from the Brewers and Licensed Retailers Association, representing brewers and pub operators, will meet Mr Kenneth Clarke, chancellor of the exchequer, today to demand a 50 per cent cut in beer duty in the November Budget. Brewers argue that only a cut of this size will solve the problem of cross-Channel beer imports, now running at about 1m pints a day.

Nurses to press for 8% pay increase

Nurses' representatives will this week press for a pay rise of more than 8 per cent, setting themselves on a collision course with the government.

Mr Kenneth Clarke, chancellor of the exchequer, recently confirmed that public sector pay bills would be frozen for the second year.

Anglo-German differences are still profound despite the single European market, writes **Vanessa Houlder**

The divide Europe failed to bridge

The traditional differences between German and British management styles were underlined this week by the first comparative study of middle management in the two countries.

The report*, by the Anglo-German Foundation, looked at 60 German and UK middle managers working in the brewing, insurance and construction industries between 1991 and 1993. It found striking differences in their qualifications, career paths, attitudes and their whole concept of "management".

The German managers saw themselves primarily as specialists who owed their authority to their superior technical knowledge. They aimed to convince others primarily by the content of their arguments, not their presentation. They wanted consistency and punctuality, rather than personal drive or enthusiasm, from their subordinates. They guarded their home life jealously, kept rigidly to office hours and some even chose to "clock in".

In the UK, technical work was viewed as something that should be abandoned in the search for promotion into management. British middle managers saw themselves as scaled-down senior managers whose role was to take the "larger view". They were comfortable with uncertainty and had a notion of the job being "what you make it". Their subordinates were expected to display initiative, responsibility and honesty.

They relied on persuasion and networking to win support and tolerated long, relatively unfocused meetings. They were prepared to work late and at weekends, but had few qualms about making private phone conversations or visiting the bank or dentist during working hours.

The research found that qualifications played a larger part in propelling people through the organisation in Germany. Those middle managers with only a technical or commercial apprenticeship stayed in each job for an average of eight years. Those with university degrees stayed in their positions for an average of four years.

In the British companies, there was "a striking willingness" to *ignore prescribed qualifications* if the "right candidate" did not happen to possess them.

The British managers had greater internal job mobility, partly to avoid stagnation and partly because jobs were less tied to qualifications. The German managers were used to middle managers staying within the same functional area of a firm through their working life.

The German companies put a greater emphasis on co-operation than their British counterparts. In Britain, objectives were set up in a way that fostered "ownership" and accountability, rather than co-operation.

British and American managers should ask whether emphasis on 'management' is overdone

Structural, as well as cultural, factors played an important part in explaining this gulf in attitudes. In contrast to the organic growth of German companies, the UK companies were likely to have expanded through mergers, making it more difficult to integrate functions.

As a result, the British managers tended to take part in more cross-over meetings in steering committees, working parties and project groups. German companies had at least one and sometimes two fewer tiers of hierarchy than the UK ones.

One reason why German middle managers tended to identify downwards was that industrial unions encompassed every type and grade of employee. Another was that managers tended to share an apprenticeship background with their workforce. This system instils occupational pride, reducing the onus on the manager to motivate workers.

The findings of this report, which were discussed at a Coopers & Lybrand seminar this week, may have important implications for both nationalities which go beyond the much-rehearsed arguments about the advantages of vocational qualifications.

Rosemary Stewart, a fellow in organisation behaviour at Templeton College in Oxford and one of the report's authors, urges British and American managers to ask whether their emphasis on "management" is overdone. "Perhaps more involvement in, and more knowledge of, operations would make for greater effectiveness," she says.

She also urges British managers to look at the more simplified organisations of the German companies – possibly why Germans produce equivalent output with fewer staff.

German managers may need more job mobility and could benefit from learning from the experience of other managers. At a time of rapid change, German managers may need to be more adaptable, flexible and innovative. Benedikt Koehler, General Manager at Norddeutsche Landesbank in London, says: "The British style of management is superior when it comes to innovation."

Bryan Rigby, chairman of the employment policy committee at the CBI and trustee of the Anglo-German Foundation, sees changes coming as German and British companies face up to similar pressures. "The British are starting to plan better," he says. "The Germans may be becoming more flexible and adaptable."

The single European market will help narrow the gap between management styles, according to Alfred Kieser of the University of Mannheim, an author of the report. "A degree of convergence is unavoidable," he says. "But it will take a long time."

**Managing in Britain and Germany, price £5. Available from Anglo-German Foundation Book Sales, BEBC, 15 Albion Close, Parkstone, Poole, Dorset, BH12 3LL.*

Gold rush: Kazakh miners at the Bakyrchik joint venture earn £64 a month and regularly save 70 per cent of their wages

Capitalism on the steppes

Kenneth Gooding visits a Kazakhstan gold mine – one of the first to use western-style business techniques

This is a country where you discover that the office manager is a prominent heart surgeon. He can no longer afford to follow his profession because it does not pay enough to support him and his family.

This is a country where the plant has a "vodka room" rather than a vending machine dispensing tea and coffee. With vodka costing the equivalent of 5 cents for a full-strength bottle, it is a cheap perk.

This is a country where prices have risen 20 fold since 1989 so there are not enough bank notes to go round. For the past six months most public-sector workers have instead been given vouchers to exchange for food and other essentials. Sometimes cheques are issued to top up the vouchers. But the local banks do not have any money to honour them.

This is Kazakhstan, once part of the former Soviet Union.

Mark Wilson, who has worked for mining companies in many western countries, says managing in Kazakhstan is different from anything he has previously experienced.

He found it difficult to adjust to the fact that while people were well educated – it is claimed that the literacy rate in Kazakhstan is higher than in the US – they had not been taught to show initiative or be willing to take responsibility.

Set Kazakhs a target and they will attempt to achieve it, even when common sense suggests that pressing on regardless could have costly, even disastrous, results. For example, at first Wilson found his employees would keep a machine running at full stretch to achieve production targets, ignoring all warning signs that it needed attention until it ground to a noisy halt.

It was also impossible to persuade any Kazakh to admit mistakes. Wilson recalls one frustrating conversation with a group of employees after something had gone wrong. "Ok, who stuffed it?" he inquired. All heads were shaken. He said: "Well, it couldn't have been me, I was in bed." They brightened. "Ah! Then you must have dreamt it."

After decades of Communist rule, when everyone was promised cradle-to-grave care, many Kazakhs do not understand the western approach to work, Wilson suggests. "Why bother to turn up for work on time and why stay sober after lunch when you get the same treatment and pay, no matter what?"

The first time he fired someone for persistent lateness and drunkenness, policemen were at his door early the next day to tell him he could do no such thing. Wilson had a hard time convincing them that the man was working for a privatised company and could be fired.

Wilson is project manager at the Bakyrchik Gold joint venture, one of the first in Kazakhstan to involve western capital and management. For the past year he has overseen the installation of new process plant to extract gold from the ore at the Bakyrchik gold mine, on Kazakhstan's north-eastern steppes, 1,000km from the capital Almaty.

In the past, Russian metallurgists had tried various ways to extract the gold without success. They settled for sending the ore to nearby copper smelters so the gold could add value to the concentrate they produced. But this meant that the arsenic in the Bakyrchik ore went up the smelter chimneys into the atmosphere.

Wilson applies western psychology when attempting to instill the "fair day's work for a fair day's pay" concept. He suggests that if you have to fire a Kazakh employee, it is a good idea to wait until he or she has collected a first pay packet at the end of the month. That way the employee knows what rewards are available provided the rules are followed.

Bakyrchik joint venture employees are paid cash, not vouchers. They earn an average of $100 (£64) a month, which in theory is about 20 per cent more than the gold miners who are still employed by the state precious metals organisation. But the miners are having to make do with vouchers. Many of them cannot wait for the time when the joint venture takes over the mine as well.

Wilson is helping to spread the capitalist message. Already about 20 per cent of the joint venture employees have been persuaded of the benefits of having savings accounts in local banks and regularly deposit 70 per cent of their earnings in them (personal tax rates are very low). As there is little to buy in the small town of Auezov, the frontier town next to the mine, Wilson arranges buses to take employees to Semipalatinsk two hours away by road, where there are at least a few goods in the shops or on sale in the markets.

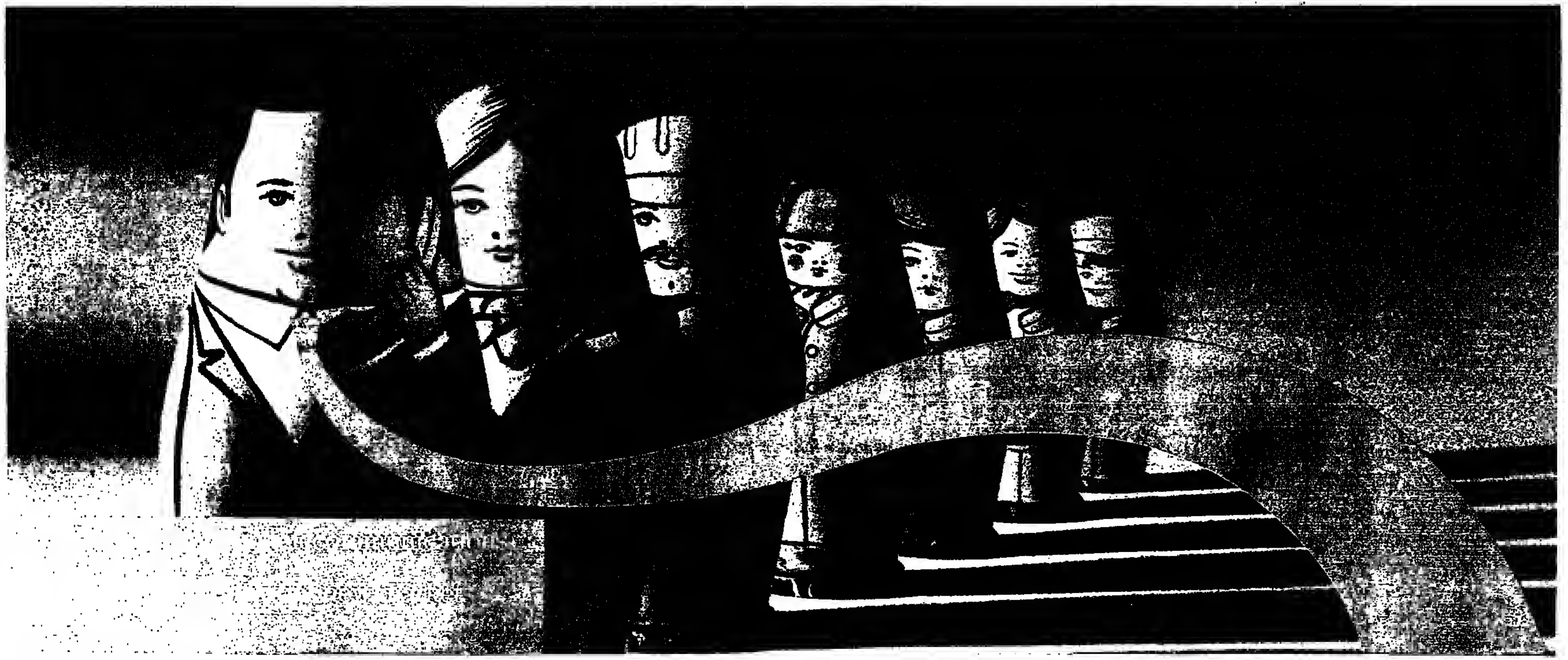
The relative affluence of the joint venture employees has divided the local community. Those who work for the western-managed company are given the cold shoulder by the rest of the town.

Recruiting is a problem because local people are not used to the idea that they can be fired if they do not perform adequately. Wilson used to ask an employee who had been working well if he or she had a friend who might be interested in joining the joint venture. That does not work any more because, when newcomers did not meet requirements and were fired, they frequently blamed the friend who recommended them for the job.

The venture needs two more drivers, Wilson says, and he knows his personal driver has two out-of-work brothers with driving licences. But his driver will not ask his brothers if they would like to join Bakyrchik. "He says that if they do not measure up and I have to fire one or both of them, I will be angry with him," says Wilson.

There have been some cost benefits to operating in Kazakhstan, according to Wilson. Some tanks in the new plant are made of titanium, bought at a cost of $16 a kilo compared with the $110 it would have cost to have them delivered from the US. The joint venture's ball mill was bought locally for $93,000 compared with the $650,000 it would have cost in the west.

On the other hand, Wilson points out: "A light bulb you could buy in the west for a few pennies costs $10. And it is impossible to get a toothbrush here, or a toilet roll."



PEOPLE

Consumers' champion to leave her Shelter

Continued turbulence at the Consumers' Association is guaranteed with the appointment of Sheila McKechnie, currently head of the housing charity Shelter, to the director's post at CA.

McKechnie, 46, will take over in January from John Beishon, who retires at the end of the year after a controversial eight years in the post.

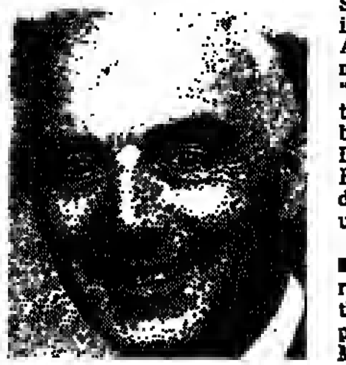
Beishon's abrasive style has not endeared him to many of the staff at the organisation which publishes the consumer bible, *Which?* magazine. Hostilities came to a head recently when union members at the association went on strike over pay.

Insiders who had hoped, after Beishon's departure, for a return to the more gentlemanly old ways will be disappointed. McKechnie, a forthright and energetic Scot, has not been known to sidestep confrontation during her 10 years at Shelter.

It is just as well that CA is going to be kept on its toes; the number of subscriptions to *Which?*, the organisation's main source of income, has plunged to about 600,000 from a peak of nearly a million in the mid-1980s.

McKechnie is widely credited in the voluntary sector with having re-established Shelter's role, bringing it back into the limelight after a period of languishing in obscurity. Her job now will be to update Consumers' Association's appeal to today's increasingly sophisticated consumers.

Non-executive directors



Robert Wilkinson (above), the Stock Exchange's surveillance supremo during the 1980s, has joined the board of Tradepoint Financial Networks as a non-executive director.

Tradepoint, whose founders include a core of former Stock Exchange electronic systems gurus, intends to operate as a screen-based system for the trading of equities and other financial instruments in direct competition with the Stock Exchange.

It plans to become a Registered Investment Exchange, like its competitor, a regulatory status which will require it, among other things, to maintain a surveillance function to detect market manipulation and to ensure that its own requirements for listed companies and members are met.

Wilkinson says he will be assisting Tradepoint in setting up a surveillance capability, familiar territory to him.

In 1966 he joined W.I. Carr and Co and subsequently became an equity partner. In 1978 he was elected to the Stock Exchange Council, serving a term on the Financial Accounts Committee which monitored members' solvency. "It was not a popular committee," he recalls. In 1981 he became Stock Exchange Inspector and, in 1984, the Exchange's first surveillance director, a post he retained until retirement in 1991.

■ **Sir Clive Whitmore**, recently retired permanent secretary at the Home Office and a former permanent secretary at the Ministry of Defence, at MORGAN CRUCIBLE.

■ **Hamish Grossart**, chairman of Eclipse Blinds, EFT Group, Hicking Pentecost, and Scottish Highland Hotels Group, at CAIRN ENERGY; he is resigning from BRITISH THORNTON HOLDINGS.

■ **David Probert**, chairman of W Canning, at WILLIAM SINCLAIR HOLDINGS.

■ **Jonathan Cooper** has resigned from BULLERS.

■ **Michael Brady**, BP Professor of Information Engineering at Oxford University, at AEA TECHNOLOGY.

■ **William Mathieson**, retired director of Land Securities, at CITY SITES ESTATES.

■ **Wong Choon Shein**, a director of Hong Leong Industries Berhad, at RAMUS HOLDINGS; Steven Yoong Kin Pin has resigned.

■ **David Heywood** as chairman of QS HOLDINGS.

■ **Roger Young**, chief executive of Hydro-Electric, as an ordinary director at the BANK OF SCOTLAND.

Finance moves

■ **Roy Lecky-Thompson** has been appointed personnel director of the Bank of England. He is at present personnel director of Cameron Markby Hewitt, the City law firm, and will be joining the Bank on December 1. Now 46, Lecky-Thompson read History at Oxford and is a Fellow of the Institute of Personnel and Development. He joined BP in 1969 and worked in personnel and training positions in the UK and overseas before moving to Arthur Young as director of personnel in 1986. He joined Cameron Markby Hewitt in 1987.

Lecky-Thompson is a lecturer and writer on human resource issues; he spearheaded Cameron Markby Hewitt's achievement of a National Training Award and Investors in People accreditation.

This appointment completes the senior management of the central services area of the Bank, which was re-shaped earlier this year with the appointment of Gordon Midgley as finance director and John Footman as secretary and Lionel Price as director OF the Centre for Central Banking Studies.

■ **Malcolm Phillips** has been promoted to md of Property Leeds (UK), part of LEEDS PERMANENT BUILDING SOCIETY; he succeeds Jim Brearley, who remains a director.

■ **Larry Prager** has been promoted to md of NIKKO EUROPE's equity research division.

Constructive careers

Capital Shopping Centres, the property company which made its Stock Exchange debut in March, has found a new managing director in Douglas Leslie.

Leslie, 47, will join CSC from commercial property agents Donaldsons, but spent 17 years with British Rail up to 1992. He is credited with developing retail outlets in stations and having a hand in the development of numerous shopping centres and offices on BR land.

Having never worked for a quoted company, though, he is unknown to most investors and stock market analysts. CSC's shares have fallen to 209p from its 230p offer price.

"He will need to be strong to stop the company becoming another corner of Donnie Gordon's empire," commented one analyst. TransAtlantic, the property and insurance company also chaired by Gordon, holds 75 per cent of CSC's shares.

But Gordon says the new md will have a free hand. "He is very strong and shows great poise," he said. "I don't have time to deal with the fine details of a shopping centre operation."

■ **Gerald Hirst** has been appointed joint md of BILTON, following the resignation of Ronald Rosenblatt.

■ **Roger Venthen**, a former operations director of John Laing Construction's EPL Plant and Access Hire, has been appointed md of Castle Plant, part of TARMAC Construction in succession to Brian Tock.

■ **Roy Ellis** (below left), formerly finance director and company secretary of Alfred McAlpine Homes East, has been appointed finance director of Taywood Homes, part of TAYLOR WOODROW.

■ **Steve Simpson** (below right) has been appointed finance director of Leech Homes, part of the BEAZER Homes Group; he replaces Paul Smith who has been promoted to md of Beazer Homes East.

If the rainforests are being destroyed at the rate of thousands of trees a minute, how can planting just a handful of seedlings make a difference?

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Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The *Markhamia lotea* trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

Unless help is given, soil is exhausted very quickly by "slash and burn" farming methods. New tracts of tropical forest would then have to be cleared every two or three years.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.

WWF World Wide Fund For Nature
(formerly World Wildlife Fund)
International Secretariat, 1196 Gland, Switzerland.

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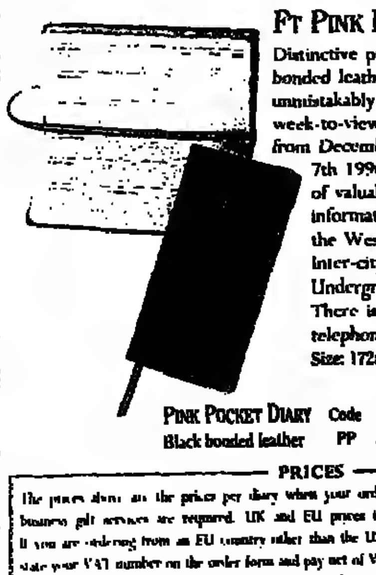

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Week-to-view diary which runs from December 19th 1994 to January 7th 1996 and contains 34 pages packed with business and travel information. London maps include the City, the West End and the Underground. A detachable personal telephone directory is also included.
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A Week-to-view diary which runs from November 24th 1994 to January 28th 1996 and offers over 100 pages of frequently needed business and travel information. Business directory lists the top 100 international banks, world stock markets and international databases. The business travel section contains 52 individual country surveys, city centre maps and covers 135 international cities. A 48 page full colour world atlas and an attractive detachable personal telephone directory are also included.
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Distinctive pink pages and a black bonded leather cover make this diary unmistakably FT. It has a landscape week-to-view diary section which runs from December 19th 1994 to January 7th 1996 and contains 34 pages of valuable travel and business information. Maps of the City, the West End of London, Inter-city services and the London Underground are included. There is a detachable personal telephone directory at the back.
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BUSINESS AND THE ENVIRONMENT

Non-whites are more likely to live near toxic waste, reports **James Harding**

Not in my back yard

Non-whites in the US are more likely than whites to be living in an area with a commercial hazardous waste facility, according to a recent US study. The disproportionate exposure to pollution of blacks and Hispanics was first acknowledged 10 years ago, but research shows that the problem of "environmental racism" is worse today.

Yet the waste management industry is a vocal part of the emerging consensus of businesspeople, environmental activists and government who agree that "environmental racism" is a trend that must be reversed. But African-American researchers say the problem continues to grow in spite of the consensus and support for environmental justice in the Environmental Protection Agency.

The study, Toxic Waste and Race Revisited, was sponsored by the Centre for Policy Alternatives, the National Association for the Advancement of Coloured People (NAACP) and the United Church of Christ Commission for Racial Justice. It analysed 530 commercial "off-site" hazardous waste treatment, storage or disposal facilities operating in the early 1990s and compared them with demographic profiles of postal code areas in the 1990 census report.

It showed that last year non-whites were 47 per cent more likely than whites to live near a toxic waste site. In 1990 it was nearly 31 per cent; in 1980 it was 25 per cent.

Ben Goldman, one of the authors of the report, acknowledges that the study does not explain the causes of the growing inequality, but says its findings are a "disturbing setback that is all the more disturbing because of all the attention being paid to environmental racism". The term was coined by Benjamin Chavis, former NAACP executive director, after an environmental demography report in 1987 showed evidence of a persistent link between toxic waste sites and ethnic communities.

Last year, Irma Hunter Brown, a black representative in the Arkansas state legislature, who lives near a toxic waste facility, pushed through the Environmental Equity Act, which prohibits a new incinerator or toxic waste facility within 12 miles of an existing site unless approved by the affected community.

Sam Kittner

Waste not: industrial air pollution is said to be having a disproportionate effect on America's black and Hispanic communities

In the Albuquerque area of New Mexico, the South West Organising Project, a non-profit environmental group, has been campaigning against tha disproportionate impacts of groundwater contamination and industrial air pollution on the state's Hispanic communities.

Business leaders in waste management, who might be expected to dismiss environmental racism as part of the same economic system which fails to distribute wealth evenly, echo the environmentalists. Charles McDermott, government affairs director for WMX Technologies, the global environmental services company, says: "Our society has not done enough to ensure environmental equity."

However, he disagrees with Goldman's methodology and says the Toxic Waste and Race Revisited survey renders "skewed results". McDermott argues that using large and irregular postal code areas as measures of community give an inaccurate picture of the whole.

To provide a meaningful study, he suggests using census data that give smaller boundaries of 4,000 people as a community. Research using this method at the University of Massachusetts claims treatment, storage and disposal facilities are more likely to be located in predominantly white, industrial, working-class neighbourhoods.

Although McDermott endorses the University of Massachussetts research, he agrees that "environmental justice is a very real and serious problem". He points to the EPA's 1992 study on lead poisoning which found that in low-income families, 68 per cent of African-American children suffer lead poisoning, double the percentage of white children affected.

Another piece of EPA research, he says, has shown that in comparison to the white population, a higher proportion of African-Americans and Hispanics live in areas where air pollutants exceed federal limits for carbon monoxide, sulphur dioxide and lead.

But McDermott cautions delicacy in dealing with the "complex problem". In particular, he believes that dealing with the problem locality by locality is the best way to protect America's communities. Rather than blanket regulation industry by industry, he wants state licensing for waste facilities to include requirements to assess the cumulative effects of sites emitting pollutants over a single area.

The suggestion is shared by several prominent people on Capitol Hill. The Environmental Justice Bill, which has yet to come to committee in Congress, includes provisions to make permits for waste facilities issued by the federal Environmental Protection Agency contingent on tests for cumulative damage in the area.

The Clinton administration, which counts itself a member of the environmental justice movement, pre-empted the legislation by issuing an executive order last February to address environmental justice in minority and low-income populations.

The EPA's environmental justice office has invested in education for non-white communities to "help them make better choices", but it shies away from suggestions of siting regulation. Bob Knox, deputy director of the Office of Environmental Justice at the EPA, says the road to environmental equity, on which they have been travelling only two years, is a long one. Discrimination and pollution were endemic for many generations. "Remember that the voting rights act was only 1965 and a lot of sites were placed before that," he says.

There is also debate over which is more important in contributing to the problem: whether blacks are moving into low-cost housing areas where there is already a build-up of polluting industries, or whether industry is locating polluting factories in areas where there is a relatively high proportion of non-whites.

Aerosol industry tries to clear the air

Now that CFCs have gone, manufacturers are phasing out other harmful ingredients, writes **Peter Knight**

If you cannot be bothered to shine furniture, just spray the polish in the air and the boss will believe you have done the job. This practice is one of the many reasons why people love aerosols.

Except for Swedes and Finns, who prefer to roll on their deodorants, all leading world markets are showing increased aerosol sales. The UK alone produced 835m aerosols in 1993, up 6.25 per cent on the previous year, according to the British Aerosol Manufacturers' Association.

There was a small dip in aerosol sales in the late 1980s as consumers became more aware of the effect of CFCs. The drop was sufficient to prompt the industry to look at alternative propellants.

"Our research across Europe confirms that since CFCs were removed from aerosols, consumers are largely unaware of any remaining environmental issues, such as recyclability, flammability, volatile organic compounds (VOCs) and amounts of packaging," says Paul Scott, environment consultant with Dragon International, a corporate reputation consultancy.

"But the aerosol industry is addressing all the environmental issues and some new products will show significant improvements in VOC emissions and the ratio of packaging to usage," he says.

VOCs are the vapours given off by a range of volatile chemicals used in industry, such as solvents, and contained in consumer products, such as house paint, petrol and those aerosols which use hydrocarbons (for instance, butane) as a propellant or as part of the formula.

VOCs collect in the atmosphere and react with sunlight to form photochemical smog and low-level ozone. These city smogs, which also drift into rural areas, affect breathing and can be particularly harmful to young children and the elderly. European countries have signed a UN treaty to reduce VOC emissions by a third of 1988 levels, by 1999.

Industry is also looking at ways to reduce its VOC emissions. S.C. Johnson, the multinational that owns leading cleaning, polishing and hygiene brands such as Pledge, Glade and Mr Muscle, has taken a lead by replacing butane propellant with compressed air in its Pledge polish spray. The company is committed to reduce the ratio of VOCs to its raw materials by 25 per cent between 1990 and next year. This will help the company meet the UN target.

Aerosol dispensers create a fine spray by propelling the liquidised product through a small hole. The propellant is usually a liquid gas which occupies the same space in the canister, sometimes separated from the product, sometimes mixed, depending on the formulation. Press the release valve and the pressure exerted by the gas forces the product up the spout and through the nozzle. The gas evaporates, leaving the product to settle.

Cynics say that the industry has failed to promote and develop the environmentally more acceptable pump-and-spray technology

CFCs – non toxic and non flammable – were the ideal propellants until it became known that they damaged the ozone layer. Hydrocarbon gases, such as butane, were established propellants before CFCs were invented and they were generally used to replace CFCs in household and industrial aerosols. Other benign gases, such as nitrogen and nitrous oxide, are used in food and personal hygiene products, but are unsuitable or too expensive for more general use.

In the late 1980s various technologies were offered to provide aerosol delivery without gas propellants. Few have been taken up. Most new technologies required the reformulation of the products because CFCs and hydrocarbons were integral to their performance, helping to disperse or foam the product as it came out of the can.

Much hope was placed in compressed air. There were two possibilities: pressurise the container when filling it, or provide a pump for the customer to create the pressure for each spraying session. Hairsprays using the pump-and-spray technology were launched in the late 1980s. But after an initial take-up customers tired of pumping and reverted to traditional aerosols.

The aerosol industry points to the market's rejection of pump-and-spray as an endorsement of liquid-gas propellants. But cynics suggest that the industry has failed to promote and develop the technology sufficiently and is using the market's reaction as an excuse to use options that are less environmentally acceptable.

Johnson argues that the customer will not tolerate any reduction in quality. It has therefore taken the technically more complex route and used compressed air in a pressurised container to propel its Pledge furniture polish in much the same way as with butane.

Johnson set about overcoming the known problems of using compressed air, especially the gradual reduction in pressure as the container empties. The product was also re-formulated to work with the new delivery system. Solvent is still used, but VOC emissions have been reduced by a third overall.

After five years of research and development Johnson perfected the technology and converted its Dutch factory filling line, which serves Europe. Compressed-air Pledge was launched in Italy and is being introduced to other countries this year.

Philippe Darquier, vice-president, group director for Europe, says compressed air will become the dominant propellant in the future. This is good for the environment and Johnson's business. "We see great commercial advantage from being the first in," ba says.

Television/Christopher Dunkley

Comedy gets the specialist treatment

Comedy on television today is far more varied then it used to be which is surely a good thing. However, even more than most programme areas, comedy is becoming subject to political correctness which is surely a bad thing. If you doubt the increased breadth of comedy consider *It's Just A Ride*, the tribute to the late Bill Hicks screened 10 days ago by Channel 4. Even 10 years ago it would have been unthinkable for any channel to transmit this. True, there was little, if anything, from Hicks' own material in this programme which had not already been shown in the last few years on British television, albeit late at night, but even on a second viewing it still had the power to surprise. Many would describe Hicks, who died earlier this year at the age of 32, as foul mouthed, and it is true that he used four letter words with a frequency which virtually drained them of value. That alone would have kept him off television until recently.

But Hicks' value was as a social commentator, even if some people found his material more painful than funny. He was a comedian in the tradition of Lenny Bruce and all those licensed jesters down the centuries who have used their position and their flair to show us unpleasant truths about ourselves and our societies. One of his fellow comedians, paying tribute in this programme, said "With me, I'd do a joke, then a little bit of truth; a spoonful of sugar helps the medicine go down. But with Bill there weren't no spoonful of sugar". That is undeniable and consequently watching Hicks could be uncomfortable, but the *significant point is* that today viewers can see what was prohibited 10 years ago, and that is progress. Anyone offended by his language could switch off at the first swear word. Nor is the increased variety in comedy merely a question of access to "stronger" material.

Where there used to be only two categories – situation comedy and stand up comedy – we now have shows such as *Have I Got News For You, Whose Line Is It Anyway?* and *Clive Anderson Talks Back*. Anderson began a new series on Friday with an edition that showed off all his strengths: funny and flirtatious with Goldie Hawn and startlingly honest with football expert Jimmy Hill and comedian Jim Davidson, who readily admitted that he was willing to ridicule anyone – "Welsh women with beards, black people, daft Irish" and so on.

In this Davidson now looks daringly old fashioned, even shocking, because comedy is rapidly becoming the paradigm of political correctness. The irony is that apartheid ("*separate development*") so recently the number one hate on every liberal agenda, is now being positively – some would say obsessively – pursued by supposedly liberal broadcasters. We are given a separatist comedy programme for *gays, and a special enclave is set* aside for black comedians so that they can develop their own material within their own culture, uncontaminated by whites. At this rate it will take the broadcasters very little time before they start providing special series of the sort described with such scorn by the late James Cameron (yes, lovely liberal Mr Cameron – after all his years as a war reporter he saw humanity with a sad but clear eye). When Channel 4 began, he declared that its more "specialised" output seemed to be aimed at "black lesbian social workers living in Hull".

If you really did make such a programme the target audience would probably give it a phenomenally high "RI" or Reaction Index, which is the researchers' calculation of the viewers' appreciation of a programme. This has always shown that the more specialised the appeal, the higher the RI. Steam train freaks appreciate steam train programmes even more than soap fans like *Coronation Street*. But however much homosexuals liked *Channel 4's Just For Laughs: The Queer Comics*, and however much black people may enjoy BBC2's black enclave *The Real McCoy* (well, some homosexuals and some black people, anyway) they constitute only a minority of the viewing population. In fulfilling their desires, what are the broadcasters doing to everybody else?

For straight viewers *Just For Laughs* managed to be simultaneously embarrassingly over defensive and irritatingly arrogant. On the one hand gays wanted pity because even their own parents did not understand them and on the other hand homosexual men want to be seen as superior to straight men for all sorts of reasons – they understand women so well, for instance. *The Real McCoy*, which excludes white people, features some performers who certainly could hold their end up in a multiracial talent contest and others who seem to get into this programme solely because their patois or some other aspect of their material ensures that they will not be understood by whites.

No doubt the broadcasters would claim indignantly that their motives in making these programmes were of the highest, *designed solely with the interests of* frequently persecuted groups in mind – precisely the claim made by South Africa's late white government. But whether preached in Johannesburg or London, the argument suffers from the same innate condescension, the unspoken assumption that members of the group concerned are incapable of making their way in the world without special treatment.

The odd thing about this belief, seemingly so widespread among broadcasters today, is that all the evidence is against it. You only have to have one Julian Clary starring in his own very explicitly homosexual series, and one clearly black Lenny Henry starring in his, to prove that those with talent can succeed regardless of whatever minority they may belong to. When the non-black, non-homosexual viewing majority see the success achieved by Clary and Henry without recourse to any special enclaves, what are they expected to think about the abilities of those selected by the broadcasters to appear in their blacks-only or gays-only programmes? The answer seems unavoidable.

Julian Clary: comes up smelling of roses

Anne-Marie Duff as Emma and Hugh Lee as Frank Churchill in Mike Alfreds' production at the Theatre Royal, Richmond

Jane Austen adapted for the stage

Martin Hoyle reviews 'Emma'

Dickens translates well to the stage, Jane Austen does not. One jostles us with a teeming kaleidoscope of places, people and events of almost grotesque vividness, the other, as Charlotte Bronte disdainfully observed in a brilliantly wrong-headed piece of criticism, is a Chinese miniaturist. The narrator's ironic tone is all. Present the plot of an Austen novel as a series of happenings, even with the help of the author's dialogue, and an element is missing.

Mike Alfreds' production of *Emma* for the Cambridge Theatre Company recognises the danger. As director-adaptor Alfreds seeks to remedy this not so much through the occasional sound-track narration as with ironic devices all the stage's own. Paul Dart's light set is paved with a Greek-revival pattern inscribed with such Austenesque concepts as "genteel address", "*principle*", "conversation", "manners" – as well as such vices as "folly". Inscriptions appear, too, as a sort of surtitle, on the back wall, setting the scene or commenting: "Marriage – a Grim Era", "The Countryside – No City Dust Here" and "Night Waned – the Dawning". Crossword addicts will detect the anagrams.

Ultimately the play skims the novel's surface. This is in part due to Anne-Marie Duff in the title-role, as yet lacking the ability to chart Emma's sublime self-confidence and final chagrin, painfully achieving self-knowledge as she meddles with other people's lives for their own good and gets it all *wrong*. *Emma* should be stripped bare, as Walter Allen put it in *The English Novel*, but this slightly monotonous young woman has little to strip away. Like Juliet, the character needs to express youth, indeed callowness, leading to transfigured maturity. The actress ably suggests the bossy pushfulness that might have characterised the older Emma without her emotional come-uppance and own good sense; beyond that an all-purpose cheerfulness does not quite suggest the depth of Emma's involvement with others or her own ripening feelings. The production reflects the ripples on the pool of Jane Austen's society but fails to suggests the currents beneath.

The appreciative Richmond audience laughed gently at the jokes, and there is much to enjoy in the fluid transformation of crate-like chests into furniture, carriages and even a grassy bank. At the moment not all the cast (including Emma) is audible or sufficiently pointed, though Carolyn Jones is funny and touching as humble, grateful, garrulous Miss Bates. Emma's father is reduced to a running gag about hypochondria which Michael Elwyn pleases the groundlings with mightily. Peter Hamilton Dyer's Mr Elton, the fortune-seeking curate, is a rounded individual, not a set of mannerisms which emphasise the *Quality Street trap that Austen sets* for actors. And everyone could do with lessons in voice projection from Celia Bannerman who brightened your critic's youth with a huge-eyed, heavy-lidded Bennett girl in a television *Pride and Prejudice*. Her Mrs Weston is still radiant and good-humoured, which is more than can be said for her admirer after all these years.

The South Bank puts in its bids for lottery money

The South Bank Centre, the UK's largest arts complex, re-launched itself yet again yesterday. It presented a new image in expectation that its £65m redevelopment plan for a brand new building (or rather the retention of most of the existing ones, but covered by architect *Sir Richard Rogers in a transparent* canopy) will be accepted as a worthwhile National Lottery funded millennium project.

Research suggests that the very words "South Bank" deter potential visitors, so in future it will stress its constituent parts, like the Royal Festival Hall and the Purcell Room. So welcome the abbreviated logo, SBC.

The SBC will also persevere in broadening its range of music. Audiences have fallen from 80 per cent to under 60 per cent in the last two decades. In future there will be less classical music but it will be better themed and promoted. "No bread and butter concerts – all jam", in the words of music director Graham Sheffield.

***To this end £150,000 will be spent* on an advertising campaign aimed at building a new audience: there has been a sharp slide in regular concert goers. At the same time some of the outside bookings at the Festival Hall, which were scheduled by tradition rather than the expectation of a large audience, like youth orchestras and the annual NatWest concert, are being encouraged to switch to the smaller Queen Elizabeth Hall.**

Non-classical audiences are courted with jazz at the Purcell Room; all night concerts of Indian music; and six nights of Shirley Bassey in early October.

Apart from the major Deutsche Romantik festival starting next week and a Purcell tercentenary *season, the SBC is marking time* until it knows the fate of its lottery bid. Sir Richard Rogers said yesterday that he aimed to create "a people's palace. This is the obvious bridge joining the southern London community and the northern." His reputation makes the SBC's application for £45m from the lottery much more feasible.

Antony Thorncroft

Theatre//Alastair Macualay

Timothy West's 'Macbeth'

If the last two Macbeths you saw were Alan Howard (National Theatre, spring 1993) and Derek Jacobi (Royal Shakespeare Company, winter 1993-4), then you may well find it refreshing to turn to Timothy West (Theatr Clwyd, right now). It is rare today to hear anyone speak Shakespeare so naturally (I wish I had seen his Falstaff), and to hear an actor speak verse with such com*municative ease. His technique is* virtually invisible: no bravura feats of legato breath-control, no lieder-like strokes of special word-painting, no here's-something-I-prepared-earlier calculation. He simply utters the words, in calm phrases, as if he was thinking them for the first time.

So it sounds ungrateful to say that West almost never convinces as Macbeth. His kind of naturalness is itself wrong, for it involves scaling the nervous heights of the role down to a level too ordinary. Early on in the big dagger soliloquy, he began to remind me of a housemaster confronting some baffling disturbance in the corridor outside the dormitories; and, once I had seen the resemblance, I could not shake it off.

He addresses the hallucinatory dagger with utmost reasonableness: how strange that he cannot grasp the thing. Then, it hits him: this is indeed a hallucination. Well, he is resigned to that; hallucinations do happen, after all, in difficult circumstances; but we must all just buckle down and help *him* through this trying time. When it comes to "Nature seems dead", he can darken his voice and enlarge his vision to something beyond the everyday. But not for long. Even *Banquo's ghost only disturbs him* for as short a while as possible. His spirit does harden, and he does grow distant from his wife, and he wears his criminality with greater ease, yes; but the vast scale of Macbeth's overwrought thoughts eludes him wholly.

Still, his way of speaking affords the simple and invaluable pleasure of keeping our attention on *Macbeth as it unfolds moment* by moment. This pleasure is provided nowhere else in Helena Kaut-Howson's staging. Everyone works very hard indeed to project. Earnestness and eagerness hang heavy in the air, but never dispel the production's basic dullness of spirit. Alexandra Mathie (heroine of Helena H-K's recent *Jane Eyre*) brings a genteel vein of spinsterly anxiety to Lady Macbeth. As usual, the witches are ghastly; these ones wail a great deal, thrash artificially around the stage, and seem much more unhappy than Macbeth himself. (They reminded me of the actress Kathryn Hunter even before I noted that she is listed as Kaut-Howson's co-director.)

But nobody here seems to be in the same play as anybody else. The production boasts some of the worst *lighting – by Nick Beadle – I have* ever seen. Sometimes it tries to be naturalistic, as for the nocturnal scene after Duncan's murder – and yet when the torches leave the stages, Malcolm and Donalbain are left in as much stage light as before. Or it tries to be eerily dramatic, as when Lady Macbeth is suddenly lit by sidelights and a footlight to give three huge shadows; the effect, however, is one of tawdry melodrama. Often the person speaking is *none too visible. Pamela Howard's* designs have all kinds of unusual touches. I enjoyed the backpack Macbeth wears, and the curious black-feather ruff his wife wears with her Victorian tartan frock for the banquet. But my favourite was the pair of Eskimo boots she wore for her first appearance.

At Theatr Clwyd, Mold

INTERNATIONAL ARTS GUIDE

■ COLOGNE

Philharmonie Tonight: Christine Schäfer song recital. Tomorrow: Vladimir Fedosseyev conducts Moscow Radio Symphony Orchestra in works by Brahms, Kikta and Sviridov, with violinist Julian Rachlin and cellist Mischa Maisky. Sun morning, Mon and Tues evenings: James Conlon conducts Gürzenich Orchestra in Mahler's Seventh Symphony. Sun evening: Alexander Lazarev conducts Cologne Radio Symphony Orchestra and Chorus in concert performance of Rimsky-Korsakov's May Night, with soloists of the Bolshoi Opera (0221-2801)
Opernhaus Tonight: new production of Puccini's Trittico, conducted by James Conlon and staged by Willy Decker (repeated Sep 29, Oct 1, 4, 9). Tomorrow, Sun: Der fliegende Holländer with Wolfgang Schöne. Fri: TanzForum production of Peer Gynt (0221-221 8400)

■ DRESDEN

Semperoper Tonight: Siegfried Jerusalem song recital. Tomorrow, Sat: La boheme. Fri: new ballet mixed bill. Sun: Capriccio. Oct 2: new production of Un ballo in maschera (0351-484 2323)
Kulturpalast Sat and Sun: *Jörg-Peter Weigle conducts Dresden* Philharmonic Orchestra in works by Rudi Stephan, Sibelius and Beethoven, with violin soloist Vladimir Spivakov (0351-486 6666)

■ FRANKFURT

Alte Oper A new chamber opera by Franz Hummel, entitled Blue Danube, is premiered tonight in the Mozart Saal, with a repeat performance tomorrow. Gennedy Rozhdestvensky conducts the Chamber Orchestra of Europe tomorrow in the Grosser Saal in works by Britten, Shostakovich and Dvořák, with piano soloist Viktoria Postnikova. The Israel Philharmonic Orchestra gives concerts on Sat and Sun, the first conducted by Georg Solti, the second by Noam Sheriff. Next Tues: Wendy Warner cello recital. Sep 29: Anne Sophie Mutter. Oct 3: Alfred Brendel (069-134 0400)
Oper The opening production of the 1994-95 season is The Ring, staged by Herbert Wernicke and conducted by Sylvain Cambreling. The first of three cycles begins on Oct 11 (069-236061)

■ GOTHENBURG

● Andrew Litton conducts the Gothenburg Symphony Orchestra in Ravel's Piano Concerto in G (Krystian Zimerman) and Rakhmaninov's Symphonic Dances tomorrow and Sat afternoon at the Konserthuset. Sep 27-30: festival of music by Swedish composer Sven-Eric Johanson (031-167000)
● Gothenburg's new harbourside opera house opens on Sep 30 with the first of three gala performances. The first opera production is *Blomdahl's Aniaras, opening Oct 15* (031-131300)

■ HAMBURG

Staatsoper Tonight and Sat: Hamburg Ballet mixed bill, choreographies by Bühl, Neumeier and Brown. Tomorrow: Entführung. Fri: Das Rheingold. Sun: Henze's opera The Bassarids. Next Tues: Henze's ballet Undine, choreography by John Neumeier (040-351721)
Musikhalle Tomorrow: Alfred Brendel plays Beethoven piano sonatas. Sun morning, next Mon evening: Muhai Tang conducts Hamburg State Philharmonic Orchestra in works by Haydn, Bruch and Nielsen, with violin soloist Kyung-Wha Chung. Sep 30: Anne Sophie Mutter. Oct 5: Mitsuko Uchida (040-354414)

■ HELSINKI

Finnish National Opera The main event this week is the first night on Fri of a new production of Joonas Kokkonen's 1975 opera The Last Temptations, conducted by Kari Tikka and staged by Paavo Liski. Repertory also includes Lohengrin, Le nozze di Figaro and the Bourmeister production of Swan Lake. Andreas Schmidt gives a song recital tomorrow (0-4030 2211)

■ LEIPZIG

Opernhaus Tonight (*Dreilinden*): Lehar's Die lustige Witwe. Tomorrow: choreographies by Uwe Scholz. Fri: Lortzing's Zar und Zimmermann. Sat: Stravinsky ballets choreographed by Uwe Scholz. Sun: Tosca (0341-291036)
Gewandhaus Sat: Leopold Hager conducts Gewandhaus Orchestra in a Johann Strauss evening, with soprano Gabriele Fontana and tenor Robert Swensen. Sun: John Nelson conducts Middle German Radio Symphony Orchestra and Chorus in works by Mendelssohn, Brahms and Kantscheli. Next Tues: Freiburg Baroque Orchestra plays Zelenka, Telemann and Bach (0341-713 2280)

■ MUNICH

Staatsoper The 1994-95 season opens tonight with a revival of Der Rosenkavalier starring Felicity Lott, Yvonne Wiedstruck and Kurt Moll (repeated on Sat). Repertory for the next two weeks includes Le nozze di Figaro, Tannhäuser, Nabucco, John Neumeier's choreography of A Midsummer Night's Dream and an American mixed bill of ballets. The first new production is Don Giovanni, conducted by Colin Davis and staged by Nicholas Hytner, opening Oct 31 (089-221316)
Gasteig Georg Solti conducts the Israel Philharmonic Orchestra tomorrow in Mendelssohn's Fourth Symphony and Shostakovich's Fifth. Sergiu Celibidache conducts the Munich Philharmonic in a French programme on Fri, Sun morning, Mon and next Wed. Anne Sophie Mutter gives a violin recital on Tues (089-4809 8614)
Herkulessaal der Residenz Alfred Brendel plays Beethoven piano sonatas on Sat and Mon. Carlo Bergonzi gives a farewell song recital on Sep 30 (089-299901)
Olympiahalle Phil Collins gives concerts tonight, tomorrow and Sat (089-260 3249)
Reithalle Peter Stein's Moscow production of the Oresteia opens on Sun for a week of performances (089-225754)
Prinzregententheater Anatomy Titus Fall of Rome, a Shakespeare commentary by German dramatist Heiner Müller's, opens on Sun for five nights (089-2916 1414)
● Munich's traditional Oktoberfest runs daily till Oct 3 at venues throughout the city. Tickets and information from Veranstaltungsdienst Mayr (089-725 8095)

■ OSLO

Konserthus The Oslo Philharmonic Orchestra celebrates its 75th anniversary tomorrow and on Fri with gala performances of *Schoenberg's Gurrelieder conducted* by Mariss Jansons, featuring Jane Eaglen, Anne Sofie von Otter and Ben Heppner (2283 3200)

■ STOCKHOLM

Royal Opera *Tonight, tomorrow*, Sat: Royal Swedish Ballet in a mixed programme comprising Jiri Kylian's Stoolgame (to Nordheim), Ulysses Dove's Dancing on the Front Porch of Heaven (to Pärt) and Balanchine's Theme and Variations (to Tchaikovsky). Fri: Ingvar Lidholm's Strindberg opera A Dream Play. Fri and Mon: new production of Aida. Tues: La boheme (tickets 08-248240; information 08-203515)
Konserthuset Tonight: Johannes Wildner conducts Johann Strauss Ensemble in a Viennese programme. Tomorrow, Sat afternoon: Joseph Swensen conducts Royal Stockholm Philharmonic Orchestra in works by Mozart and Brahms, with violin soloist Frank Peter Zimmermann (tickets 08-102110; information 08-212520)
● Stockholm is hosting this year's World Music Days, promoted by the International Society of Contemporary Music (Oct 1-8). The festival will present contemporary music from 40 countries. There will also be works by some of the composers who have featured strongly in the ISCM's 72-year history, including Varese, Ginastera, Webern and Ruggles. Concerts are in venues around Stockholm, featuring some of Sweden's leading ensembles. Festival co-ordination and information: Swedish National Concert Institute (Svenska Rikskonserter), PO Box 1225, S-11182 Stockholm (tel 08-791 4600; *fax 08-676 0018*)

■ STRASBOURG

Musica, Strasbourg's annual contemporary music festival, opens tomorrow with a new chamber opera by *Ahmed Essyad, staged at the* Théâtre (repeated on Sun). The opening week features several performances of music by Finnish composer Kaija Saariaho, including a concert on Fri at the Palais de la Musique by the Finnish Radio *Symphony Orchestra under* Jukka-Pekka Saraste. Morton Feldman, John Cage and György Ligeti are also well represented at the festival, which runs till Oct 8 (8821 0202)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, *2030*

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

NGOs rule OK

Politicians are widely regarded as unrivalled in incompetence

What is an NGO? A forest of hands shoots up in one corner of the classroom, where the students doing the special course in "global governance and humanitarian diplomacy" sit. Elsewhere, blank faces.

How about this then: what is a quango? A smile of recognition spreads across the class. Yes, a quango is a "quasi non-governmental organisation". Logically there must have been NGOs before there were quangos, but somehow the simulation has become better known than the real thing.

Both terms are cumbersome, which is no doubt why both are better known by their acronyms. Why should one need to define an organisation as "non-governmental"? Surely that must apply to the vast majority of organisations that exist. Can one not take it for granted that organisations are non-governmental unless otherwise specified?

It depends on the context. The reason you hear about NGOs mainly in an international context is that until recently international relations was presumed to be exclusively the affair of governments. In a domestic context we think of bodies like Oxfam or Save the Children as simply charities. But when they appear at a UN conference, or distribute western aid in Africa, they become NGOs because in these roles we expect, or would in the past have expected, to find government officials.

Conversely the term quango is better known in the domestic context because it refers to bodies set up by governments in areas where they do not feel entitled to act directly – areas which belong in some sense to the private rather than the public domain. Those areas have greatly expanded in the last 20 years or so, with the advance of ideologies that seek to limit the role of the state, and the virtual rout of those that cherish the state as an organ of popular sovereignty and/or social engineering. What the proliferation of quangos tells us is that, in practice, the state does not find it easy to abandon its responsibilities, even when controlled by people whose ideology commits them to "rolling it back".

It is perhaps a tribute to the success of that ideology that the two terms carry opposite value judgments. NGOs, almost by definition, are good, because government, almost by definition, is bad. Quangos are bad because they are in fact governmental, though hiding behind the benign mask of non-governmentalism. Or, to use another term that has lately become very fashionable, after two centuries on the dusty shelf of political science jargon, NGOs are part of "civil society". Quangos wish to be seen as part of civil society, but are not.

> **It is as if asking people to vote for you renders you unworthy of their support**

As Ernest Gellner points out in his recent book on the subject (reviewed by David Goodhart in the FT of September 3), the rise of civil society is directly related to the fall of Marxism. Marxism sought to abolish "the separation between the social and the political". It followed the path charted by Jean-Jacques Roussean in seeking to do away with any autonomous organisation that might come between the citizen and the state. Civil society, which could be defined as the sum of all such organisations, became the key slogan of anti-Marxist intellectuals in the last years of communist eastern Europe.

But they were up against an undemocratic regime. Against a government imposed by force, non-governmental groups, formed by the free choice of their members, could claim a superior democratic legitimacy. What is more surprising is that a similar moral hierarchy seems to obtain in democratic societies. One might suppose governments chosen by the people in free elections would be in a quite different category from those imposed by force. Yet apparently they are not. It has become a *cliché* to say that all the democracies are affected by a crisis of legitimacy; that electorates throughout the world are disillusioned, not just with ruling parties, but with politicians as such.

Half a century ago it seemed obvious to J.B. Priestley – whose *English Journey* the BBC has been rebroadcasting on Radio Four – that, if an industry was badly run, a state representing the people had a right and duty to take it over and run it better. One scarcely hears that argument now – certainly not from Tony Blair's Labour party. We now assume that, however incompetent capitalists may be, politicians would be worse.

We would rather entrust famine relief in Africa to a rock singer than to the minister for overseas development. Yet the minister belongs to a government we chose (even if, in the current British case, the minister herself was rejected by her constituents at the last election and now sits in the House of Lords). No one voted for Boh Geldof: he never asked anyone to. It is as though the very act of asking people to vote for you is so demeaning as to render you unworthy of their support.

In the area of humanitarian relief, NGOs have taken such a leading role in some developing countries that they are now becoming unpopular, because they are indeed quangos: armed with western government funds in countries whose own governments are acutely dependent on it, or have collapsed, the NGOs often both decide and implement what should be government policy. But their own ideology is often well to the left of the western governments which give them the money to spend.

Not surprisingly those western governments sooner or later find this irritating. Conservative politicians can occasionally be heard to wonder why these unelected do-gooders should be regarded as superior in virtue and wisdom to themselves. But that is a rod conservatives have pickled for their own backs.

On the eve of its latest directive, the UK regulatory body faces intense criticism, says **Andrew Jack**

No accounting for standards

Numbers game: (l-r) Nigel Stapleton, of the 100 Group of finance directors; the Financial Reporting Review Panel's Edwin Glasgow QC; and Sir David Tweedie, of the Accounting Standards Board

There were only three things wrong with British accounting when the the UK's Accounting Standards Board began life four years ago, says Sir David Tweedie, the board's chairman: the profit and loss account, the balance sheet and the cash-flow statement.

In other words, just about everything.

In the late 1980s, following the collapse of many seemingly healthy companies, his view was shared by many, and the ASB was welcomed as a potential saviour.

Seven accounting standards later, the board itself is under attack, as secretive, unaccountable and over-prescriptive, and with tomorrow's issue of accounting standard FRS 7, it faces the strongest wave of criticism yet.

"I'm damn sure this new standard is going to be badly received by industry," says Sir David. "If there was ever a honeymoon, it will end in divorce after this."

FRS 7 is designed to limit the costs that a company can meet through setting up a reserve on its balance sheet when it buys another company. Such reserves have been used by some companies to cover all sorts of costs which would otherwise have appeared on their profit and loss account. By removing these costs from the profit and loss account, companies can boost their headline profit figure.

The board's aim in curbing this practice is to ensure that users of financial accounts get a fair picture of a company's true profit. But the financial directors and auditors that prepare and oversee companies' financial accounts say that FRS 7 is unnecessarily hard-line, and far too detailed.

Mr Nigel Stapleton, finance director of Reed Elsevier, and chairman of the 100 Group of leading company finance directors, typifies the changing mood. "I am not a critic of the ASB, but I do think there is a trend over time for it to become much more prescriptive," he says.

Audit partners in the leading UK accounting firms say that auditors and company directors need to be able to exercise judgment in the way in which financial results are presented. It is never the case that there will be a single correct way of presenting something in order to give a true and fair picture, they say. Nor is it necessary to ban, outright, a particular practice to prevent it from being abused.

Sir David says he would love to issue streamlined standards, which allow auditors to exercise judgment, but that, privately, auditing firms often welcome detailed guidelines so that they can stand up to pressure from companies that want to bend the rules.

Auditors are, in effect, hired, fired, and paid by executive management, which may want to present financial information in the best possible light.

"You need a tough auditing profession. It will never be independent as long as the people who mark the homework are the students," says Sir Devid. "Auditors are put under terrible pressure."

In an effort to protect auditors from this pressure, the board has issued seven standards, produced a statement of principles to underpin them, and issued guidelines on an "Operating and Financial Review" in which directors can describe their company's performance in their own words. It has also circulated draft standards on a range of other topics.

But both preparers and users of accounts have criticised the board for this pace of change, saying they are overloaded with draft regulations.

Sir David is robust in defending the board on this charge. "We consulted people on what to do, and we've actually hit the scams," he says. "We are issuing about two standards a year. That is hardly excessive. And industry can't have it both ways: they can't ask to be consulted and then complain about the consultation documents we produce."

A more fundamental criticism, however, is of the way in which the ASB makes its decisions. Its nine members are selected by an appointments committee, and weighted towards auditors and finance directors. Its meetings are held in secret and the minutes are not made public.

> **The board is under attack, as secretive, unaccountable and over-prescriptive**

While the ASB engages in extensive consultation, its subcommittee, the urgent issues task force, does not. The taskforce acts swiftly to change rules to prevent companies exploiting individual loopholes that are too narrow to justify a full accounting standard.

Its lack of openness has raised concerns that it may bow too pressures from interest groups, or abandon rule changes for reasons that would not have been considered sufficient if aired in public.

Several of the more controversial topics the task force planned to tackle were dropped before they reached the agenda, while others were substantially diluted, abandoned or introduced with long implementation dates allowing companies already planning such practices to adopt them unscathed.

Sir David admits that there is a problem, and says he would ultimately like to see both the board and the urgent issues task force meet in the open. However, with other board members opposed, this could be some way off.

In the meantime, the board plans to hold public hearings in the next few months on accounting for goodwill – an area on which it will be difficult to reach a consensus.

Views are mixed on what the ASB's achievements have been in improving financial reporting.

"It has done a valuable job but I think it's still too early to judge," says Mr Peter Scott, head of Hemmington Scott, a financial information company. "There is far better quality of information now and it was necessary to have clearer rules. But I'm not sure we're up to interpreting them yet."

Mr Allister Wilson, a technical partner with accountants Ernst & Young, says: "I think the whole financial reporting scene has certainly changed for the good. But that reflects a combination of the recession, the Cadbury committee on corporate governance and other factors as well as the Accounting Standards Board."

Arguably more important than the board itself is its sister body, the Financial Reporting Review Panel, chaired by Mr Edwin Glasgow, QC. It has the power to reprimand companies or take them to court to force restatements if they breach standards. No such enforcement power previously existed.

The panel has so far found against companies in 22 of its completed cases. No company has yet challenged the review panel in court. And, with its authority unsullied, it has instilled a new sense of fear in both finance directors and auditors that they will be publicly criticised if they do not comply with accounting standards.

But the panel is still only in a position to act on accounting abuses that are obvious from inspecting the public accounts – in which many manipulations will not be transparent. Furthermore, Mr Wilson argues, the review panel "only gives out parking tickets" – picking on smaller companies and less contentious issues while leaving some more important abuses untouched.

Some companies have demonstrated quite clearly that they are still determined to exploit loopholes. A decline in acquisition and merger activity during the recession has reduced the scope for companies to account creatively.

Whether the fragile structures now in place will be sufficient to prevent long-term abuses as industry comes out of recession is less certain.

The standards and their interpretation by the review panel could yet be tested in court, with the possibility of a verdict that could undermine the ASB's credibility by overturning its view of what constitutes a true and fair picture of a company's health.

Mr Wilson is one of many who believe that only a US-style Securities and Exchange Commission, which could not be challenged in court, would guarantee the quality of financial reporting in the future.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Nitrate level incompetence

From Mr A S Monckton.

Sir, Alison Maitland's article on livestock farmers threatened with being forced out of business by the government's plans to cut nitrates in drinking water was accurate ("Farmers attack proposals on nitrate levels", September 13). But it did not include the latest incompetence.

The government says it must reduce the level of nitrates (to 50mg per litre instead of about 55) because the EC nitrate directive says it must. But it does not admit it signed this directive in 1991, knowing that it was based on false statistics. If it had not signed, it would not be binding.

Its own statistics are that, if you lower nitrates, you increase the risk of cancer. It has known this since 1985 (CMD 85/14 spells it out). It also says that the level was based on World Health Organisation figures, which it must obey.

The published WHO document (in 1993) states that the lower limit is *solely* because of methaemoglobinaemia (blue baby syndrome); and it says that in areas where there have been no cases over many years the limit need not be applied. There have been no cases in the UK for more than 20 years.

The government has publicised that the reason for the new nitrate level is because of cancer risk and blue baby syndrome – I have been to just such a public meeting. It lies, and it knows it.

A S Monckton,
The Estate Office,
Street Hall,
Stafford, ST19 9LQ

Not bottom of league

From Mr Brynley Sidaway.

Sir, Your report, "Fifth of UK companies expecting to relocate" (August 30), stated that a recent survey by Black Horse Relocation placed Sunderland second bottom in a league table of 40 best cities for relocation.

We are, of course, all aware of the limitations of statistics – I could produce a survey by an equally reputable organisation which places this area at the top of the league for attracting inward investors.

Perhaps the difference between the two surveys is that Black Horse spoke only to UK companies. Could it be that UK businessmen are stuck with out-of-date preconceptions about the north east? Foreign investors come to the north east with an open mind and what they find is ideal sites, superb workers and substantial help and encouragement from a range of regional agencies and local authorities. In the last decade Sunderland has attracted one of the UK's largest concentrations of Japanese and US companies and, as "seals of approval" go, I don't think you can say fairer than that.

In the last 15 months TRW, the American components company, Lucas, the British electronics company, and Goldstar, the South Korean electronics giant, have all voted with their feet by moving into the city – creating more than 1,200 jobs between them. The Bristol-based company, The Insurance Service, has also just chosen to open in Sunderland and it plans to create another 300 jobs over the next three years (ironically Bristol was top of the Black Horse survey).

I hope it is now clear for all to see that Sunderland is the choice of several of the world's leading companies who are capable of judging for themselves without the burden of outdated prejudices.

Brynley Sidaway,
leader of the council,
City of Sunderland,
Civic Centre,
Sunderland SR2 7DN

Great parody – but no swastika

From John Siddons-Downe

Sir, In your "Guide to the week" (September 12) you mention the auction of Charles Chaplin's costume that he wore in the film The Great Dictator. As Adenoid Hynkel he was a great parody of a similarly ridiculous dictator with the same initials. But you are mistaken in saying Chaplin's uniform incorporated swastikas – the motif was a parody of the original and at no point was a swastika shown.

Indeed it seems strange that, years before, these two men of small stature both adopted the toothbrush moustache and a most individual manner of walking (or marching) as their prime visual features. If only today we could have such a brilliant satire of, say, Mr Zhirinovsky . . . now there's a thought to rescue the British film industry.

John Siddons-Downe
3 Vine Place,
London W5 3JF.

Good result in Canada

From Mr Alnoor Halari.

Sir, The headline, "Canada crumbles" (September 14), seemed to be contradictory and presumptuous in the face of good news from the election results in Quebec. The narrow margin of the popular vote in the election demonstrated that Quebeckers do not want independence. The result would also have been a *non* for independence even if the vote had been held soon after the contentious Meech Lake and Charlottetown accords.

I am a Canadian from the west and have discussed with several Quebeckers the possibility of separation during my visits to Quebec. I always get the feeling that it is the politicians and the media who have been wanting and propagating independence. The *people* of Quebec have never wanted and will never want independence from Canada.

Your editorial headline therefore should have been more thoughtful and have read "Canada wins".

Alncor Halari,
25 St Mary's Road,
Ealing, London W5 5RE

Trends in Swedish jobs growth

From Mr Per Ahlström.

Sir, Your report, "Swedish elections" (September 15), repeats the questionable statement, often made in the Swedish election campaign, that Sweden "saw all of its employment growth between 1960 and 1993 derive from the public sector". Statistics should be used in a more careful way. I do not have the employment figures from 1960, but from 1963 to 1993, employment in the private sector (excluding agriculture) has developed like this:

Period	Jobs	Gov.
1963-1976	+82.600	soc
1976-1982	-98.200	con.
1982-1991	+214.000	soc.
1991-1993	-304.500	con.

It is a curious fact that there is such strong correlation between the political colour of the government and the development of the private sector. For a non-biased observer it might look as if the economic policy of social democrats was more advantageous for the private sector than the conservative's. Managers in the private sector argue that conservative governments – in spite of their performance statistics – are better for business than social democratic governments. Conservative governments have just had bad luck, they say.

Be that as it may, the so-called Swedish model, which really is a social democratic model, has performed well under social democratic governments. It cannot be declared a failure because of the present crisis, which has been managed by parties opposed to the Swedish model, even though they are Swedish.

Per Ahlström,
editor, Nya Nortrand
Härnösand,
Sweden

Bringing colour to Barbican

From Mr Geoffrey Lawson.

Sir, May I respond to Colin Amery's thoughtful tribute to Theo Crosby (Architecture, September 19). We at the Barbican Centre are greatly saddened by his death last week. We sincerely hope and believe that the ideas and concept that he had for our improvement scheme which is half way to completion will be finished as he had planned and on *target* and hopefully within budget.

We agree that his scheme will bring colour and joy to the Barbican Centre.

Geoffrey Lawson,
Chairman to Barbican Centre Committee,
Barbican,
London EC2Y 8DG.

FINANCIAL TIMES
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Wednesday September 21 1994

The role of a third party

Britain's Liberal Democrats are right. Cannabis should be decriminalised. The law prohibiting use or possession of small amounts of the drug is difficult to enforce and, in consequence, low on the list of police priorities. Chief constables would like to see it removed from the statute books. As matters stand, its distribution is managed by gangsters at the wholesale level and petty criminals at the retail. This is absurd. There would be some risk in decriminalisation, since all drugs are potentially dangerous. Yet there is no evidence that cannabis is any more harmful than either tobacco or alcohol.

The above would be a sensible set of propositions for Mr Paddy Ashdown to put forward. Instead the leader of the Liberal Democrats has expressed distaste, bordering on alarm, following his party's vote at its annual conference in Brighton in favour of ending prosecutions of "pot" smokers. Perhaps he anticipated the prissy horror expressed by some of Britain's tabloids. Possibly he feared the loss of some support for his party, which has in the past been dogged by its image as a home for sandal-wearing, muesli-eating activists.

If so, his concerns were misplaced. The Liberal Democrats may or may not be destined to play a role in national government. That depends upon whether the Labour party finds that it can govern with their support, but not without it, after the next election. Meanwhile the third party commands the allegiance of between a sixth and a fifth of the voters, a mandate substantial enough to support its aspiration to be taken seriously.

To deserve to be taken seriously, Liberal Democrats must put forward radical ideas, particularly when many people know in their bones that a particular proposal is right. That above all is their role, and they can claim some success in pursuing it. They have brought political opinion a long way towards constitutional reform, with a large part of the Labour programme lifted straight from Lib-Dem manuals. Notions such as the earmarking of taxes may yet become topics for respectable debate. Some activists' favourite schemes, such as a minimum wage or the abolition of the monarchy, deserve to be rejected by the party leadership, but that is no reason why they should not be aired.

The two larger parties are extremely cautious about saying anything that has not been market-tested, sanitised and measured against its supposed impact on the electorate. Mainstream politicians who come up with original ideas find themselves forced to abandon them by the relentless inquisition of the popular press. This is a stultifying atmosphere, in which fresh approaches to intractable problems are unlikely to emerge.

The Liberal Democrats should be different. Mr Ashdown should loosen up a little. He would do us all a favour, and perhaps win greater respect and support that way than by trying to be Little Sir Echo.

Frontier finance

To boldly go where no bank has gone before is the mission of the International Finance Corporation, the private sector arm of the World Bank Group. The question, however, is whether the bank's Starship Enterprise retains a useful role and, if so, what.

The IFC is small compared to the World Bank itself; its annual report, published yesterday, shows that it approved $4.3bn for 231 new projects in fiscal 1994. But for most of its 35 years, the IFC has been able to claim, with some plausibility, that it provides an important, if peripheral service in bringing equity and loan finance to projects in developing countries that private banks would not touch.

Since the late-1980s, two things have changed. Some of the countries in which it has been most active, notably in east Asia but, to some extent, even in hitherto lagging Latin America, have made large strides in development of their private sectors. At the same time, the availability of capital for companies based in emerging markets, which are the IFC's potential clients, has soared.

The problem the IFC faces is that the "window" in a country's development during which its funds can play a uniquely valuable role is narrowing. On one side, it is limited by its insistence on a "commercial" rate of return (although this criterion is somewhat fuzzy in the least developed sectors). On the other side, it has the whole pack of international commercial banks and investors at its heels, sniffing for any sign that country and project risk has fallen to tolerable levels. The problem is acute in a role of which the IFC is particularly proud, that of helping the development of capital markets themselves.

In Africa and the former Soviet Union, for example, both regions that are particularly in need of assistance, the IFC has invested and lent comparatively little because of the difficulty of finding projects which meet its criteria. Yet success stories, such as South Korea and Chile, have already outgrown the need for IFC participation.

In defence of its role, the IFC points out that demand for its funds is increasing. It also argues that international finance houses often fail to service second-tier companies in developing countries. It is right, too, to stress that financial markets may lose their current taste for developing countries as quickly as they gained it.

However its principal donors will put the IFC under increasing pressure to justify its role. Fearing budgetary cutbacks, it has started to explore raising its own funds by issuing bonds secured against mature assets. If it does sustain its activities by raising funds in that way, it will still have to demonstrate that an adequate supply of reasonably high-quality investments remains available to it. The challenge to the IFC, therefore, is to demonstrate that it is not taking on excessive risk and, more fundamentally, that it still has an essential role.

Workers' rights

The complex wrangle around the European Commission's final revision of the Acquired Rights Directive has become a test for Europe's legislative procedures – and for the Commission's commitment to a new balance between social protection and job creation.

The directive, which protects the rights of workers when organisations change ownership, became a political issue when it started to interfere with the UK government's programme for contracting-out public services. In its attempts to narrow the scope of the directive to exclude the contracting out of activities like cleaning and catering, the UK initially stood alone. But as public sector reforms spread across Europe, the UK government has acquired allies.

The result is a rather obscure paragraph in the revised directive which says that only whole economic entities are subject to the directive, as opposed to more narrow activities. However lawyers are quick to point out that in the famous Schmidt case, involving a German bank, the European Court of Justice ruled that one woman cleaner represented an economic entity. So there may be less room for manoeuvre than is implied by the revision.

Part of the problem is the immense complexity involved in drafting legislation for countries with 12 different approaches to the transfer of ownership. Just as awkward is the unpredictability of the European Court itself, which is not bound by precedent and which has recently been handing down judgments which have outraged several conservative governments.

Underneath all this is an even more important issue for Europe's labour markets. The original directive was based on the laudable premise that long-term relationships should be encouraged between employers and employees, and that a change of ownership should not introduce instability into those relationships.

That principle cannot, however, be applied to the short-term contracts which are typical for services contracted out from the public sector. So any revision of the directive which excludes low-skilled services is likely to reinforce the trend towards a dual labour market, of well-protected insiders and less secure outsiders.

That in turn would create a problem for Europe's social dimension. Beginning with last year's Delors white paper, a welcome new balance has been struck between social protection and job creation, which points towards relaxation of the acquired rights directive if it threatens to prevent the creation of more low-paid, service sector jobs.

But the same white paper stressed that the burden of deregulation should not fall on the weakest sector of the labour market, as would follow from a simple loosening of the directive. The uncomfortable logic for Europe's social thinkers may be, therefore, that the directive should be scrapped altogether.

Pensions: a tough Italian job

Berlusconi needs to reform the system in the teeth of trade union opposition, says Robert Graham

After a hectic car chase through the outskirts of Turin, police arrested a man suspected of armed robbery. An identity check revealed he was registered as an invalid and drawing a pension.

This incident 10 days ago illustrates one of the worst areas of abuse in Italy's bloated state pensions system. Almost one in three of the 21m pensions paid out annually goes to invalids, a proportion without equal in Europe. Everyone knows many such "invalids" are bogus. In southern Italy local politicians recognise invalidity pensions as the simplest way of providing long-term unemployment benefit.

As the Italian government wrestles with a reform of the pensions system, it and the other interested parties now agree that fiddles like this should end. The trouble is that they agree on very little else.

Curbing Italy's generous and incredibly complex state pensions system has become a crucial test of the Berlusconi government's political and financial credibility.

Cuts in pension benefits are supposed to be the centrepiece of the 1995 budget, now in the final stages of preparation. They are the benchmark by which sceptical financial markets will judge the rightwing coalition's ability to tackle Italy's debt-ridden public finances.

At the heart of the problem is the growing gap between pension contributions and pensions payments which in Italy's "pay as you go" system is met by the government. Pensions absorb over 40 per cent of the state budget; this year the gap between contributions and the amount needed for pension payments is L84,000bn – equivalent to half the total budget deficit.

Effective reform of the pensions system would stand a strong chance of halting the inexorable increase in the budget deficit. Without it, on current trends the deficit will reach close to L185,000bn in 1995, equivalent to more than 12 per cent of gross domestic product. That would spell a further rise in Italy's public sector debt – already at the dangerous level of 125 per cent of GDP.

Such reform, however, looks like being difficult to achieve. Mr Silvio Berlusconi, prime minister, faces intense opposition from trade unions, which are anxious to defend existing pension benefits and are threatening a general strike over the issue. He has made clear he does not wish to antagonise them, and on Monday for the second time in a week postponed a "definitive" negotiating session. This is now due to take place tomorrow.

What is more, the government is weak and is itself divided over pensions reform.

The treasury under Mr Lamberto Dini talks tough, well aware that unless the forthcoming budget shows tangible progress on the pensions issue, the consequences will be immediately felt in the exchange rate of the lira and the yield on Italian government bonds. The labour ministry, on the other hand, champions the interests of the unions, in the process undermining the treasury.

The explanation for Italy's growing pensions gap is not that individual pensions are generous – the average pension is around L1m a month. Rather the system is poorly structured and administered and pays too many unnecessary pensions.

Compared with other European countries (see chart) the retirement age is low, and pensions tend to be higher as a proportion of final salary. There is little or no incentive at present for the growth of a private pensions industry.

As important is the complex nature of the pension system. The treasury says 17 different systems are applied to salaried workers, three more for the self-employed and 11 for the professions. Each category enjoys a different set of privileges. Some, such as agricultural workers, pay in minimal contributions. Journalists, doctors and even Italy's 3,000 customs agents pay into separate state-run schemes.

The privileges for public sector employees are especially extravagant. Women can retire after a mere 15 years work on 80 per cent of final salary. Men can get away with 20 years' work. Others like teachers can retire, take another job, and take their pension only on full retirement. The pension they then draw will still reflect the automatic seniority pay increases due to teachers every two years.

The government of Mr Giuliano Amato made an attempt at pension reform in 1992. It froze indexation of pensions to inflation and provided for a gradual increase to the retirement age from 60 to 65 for men and 55 to 60 for women, to be complete by 2002.

However, this has proved less than adequate in the face of the constant pressure on the budget from debt service costs. What is more, talk of the need for further cuts has triggered a flood of requests for early retirement from public sector employees: of the 459,000 pension requests between January-August, 340,000 are for early retirement.

Pressure on Mr Berlusconi to act on pensions has been increased by his determination to avoid tax increases, which leaves him reliant mainly on spending cuts to bring the overall budget deficit to below 8 per cent of GDP.

The prime minister's hands are tied by tax-cutting election promises, and he is looking for extra budget revenues to one-off devices dreamed up by Mr Giulio Tremonti, the finance minister: an amnesty on illegal building – yielding otherwise lost building registration taxes – and a partial waiver of Italy's 1.3m contested tax assessments.

Such measures have deepened the scepticism among foreign observers about Italy's public finances. Remarked one market analyst: "We are always weary of one-off measures like these pardons which in the case of Italy have a poor record of providing the funds promised."

The government wants to make three basic changes to the pensions system to bring Italy more into line with the rest of the European Union. It wants to:

- ● simplify the system, end anomalies and bring contributions into line with payments;
- ● accelerate the increase in the retirement age – currently 56 for women and 61 for men – from one year every two years to one year every 18 months, and increase the pension contributions period;
- ● change the rate at which pension provisions accrue from the current 2 per cent a year, well above the EU average, to 1.75 per cent a year.

All sides – government and unions – agree on the need to end the difference between the treatment of private sector employees and the more favourable position of those in the public sector. There is also unanimity on the importance of shifting more of the burden on to the individual by fostering the growth of private pension funds.

Thereafter agreement evaporates. The unions oppose the government's plan to raise the retirement age. They are against the idea of extending the contribution period, and say they will block the plan to alter the accrual rate.

Matters have been complicated by the failure of a cross-party commission set up to make recommendations on the pension issue to reach a consensus. Mr Berlusconi approved the establishment of the 18-person commission in early August hoping its academics, trade unionists and politicians would come up with a platform that could be sold as "neutral" to all concerned. The proposals, finalised on Monday, were effectively split into two separate reports, with agreement on only a few broad concepts.

Last week union leaders won a concession from Mr Berlusconi. Instead of seeking a specific sum in benefit cuts – the treasury wants some L8,000bn – the prime minister agreed to consider overhauling the structure of pensions first. Almost inevitably, that will mean a smaller saving in the 1995 budget.

Time is running out for agreement. The budget has to be submitted to parliament in detail before the end of the month. On Monday, Mr Berlusconi adopted a tougher tone: "The existing pensions system cannot work and if we go on like this the state will not be able to pay pensions in the future." But the prime minister's previous behaviour suggests that, faced with the choice of mollifying the unions or appeasing the financial markets, he will back away from a domestic confrontation.

Italy's pensions: the high cost of a safe retirement

How Rome compares . . .

	Italy	Germany	France	UK
Pensionable age Male/female	61/56 private 65/65 public	65/65	65/65	65/60
Basis of calculation	Last 5 years with gradual rises	Working life	Best 10 years	Working life
Minimum pension service (years)	15	5	10	¼ of working life
Minimum contribution period	40	40	37.5	50
Maximum pension as % of salary	80%	60%	50%	20%
Indexation	Prices	National average earnings	National average earnings	National average earnings

The big hole: imbalance in contributions/payments by salaried workers

	Private sector			Public sector			Total		
Lire bn	Pension payments	Workers' contributions	Difference	Pension payments	Workers' contributions	Difference	Pension payments	Workers' contributions	Difference
1995	124,636	75,074	-49,562	56,377	35,961	-20,416	181,013	111,035	-69,978
2000	131,234	82,150	-49,084	67,621	37,761	-29,860	196,855	119,911	-78,944
2005	145,013	86,274	-58,739	74,078	39,687	-34,391	218,091	135,995	-83,096
2010	169,707	89,270	-80,437	82,881	41,712	-41,169	252,588	130,982	-121,606

Blueprint for a European government

PERSONAL VIEW

A recent report on European integration from the German Christian Democrats recommended that "the Commission . . . take on the features of a European government". Such a prospect will cause anxiety among members of the European Union wishing to see it develop a decentralised structure. So what approach should they take to this CDU suggestion?

One answer would be to do nothing and hope the recommendation fades away. However, in view of suggestions elsewhere in Europe, including the European parliament's view that the Commission's powers be increased, that would be unwise. The alternative would be to accept that the functioning of the EU's key institutions needs to be reviewed. As part of such a review, the Commission's role would need a thorough examination, and the 1996 inter-governmental conference provides the opportunity.

There are two views of the future role of the Commission. One is that it should increasingly take on the character of the "government" of Europe. The other is that it should become a more effective manager of the Union's programmes. The two views conflict. They reflect different assessments of where the weaknesses lie in the Union's present institutional arrangements, as well as fundamental differences about where institutional responsibilities for core functions in the Union should lie.

The role of a modern government is to determine the direction of public policy and, where legislation is necessary, to initiate, prepare and attempt to carry through that legislation. There are two bodies that can potentially perform this role in the European Union. One is the Commission. The other is the Council of Ministers, acting in the light of more general guidelines set by heads of government.

The role of manager of public programmes is carried out in modern government either by specialised agencies or within the departments of the civil service. The view that the Commission should develop as "manager" envisages it as an agency of government (Council of Ministers) and in the role of civil service. This does not necessarily mean that the Commission would become directly responsible for the execution of policy in all areas. Much of the responsibility must continue to rest with member states. However, the Commission would need to develop its role as "honest broker", mediating policy differences between member states.

The concept of a multi-track, multi-speed Europe is one of managed differences

There is a reasoned case for not developing the Commission as Europe's government. Any democratic government would require electoral legitimacy. The Commission could not continue as an appointed body. It would have to be elected either by the European parliament or by direct popular vote in the Union (most plausibly, through an election to select its head). In the first case, parliament would gain a level of control over the government unmatched by any other democratic representative assembly. In the second case, to vest such powers in a single person would seem a colossal mistake in the light of Europe's history. Either "solution" would be enormously centralising.

The case against the Commission developing as the government of Europe cannot simply rest on a negative agenda. The capacity of the Council of Ministers to set policy and to run business in a more orderly way will need to improve. This will call for changes in voting, in the presidency arrangements and in the Council secretariat.

Developing the Council of Ministers as the government of Europe also raises questions about democratic legitimation. The Council cannot be dismissed by the directly elected European parliament. Thus there would develop a separation of powers more akin to the American system than the "fusion" of powers often held to be characteristic of parliamentary democracies. National parliaments would have a role in the legitimation of policies carried into the Council by their own ministers. This in turn means that the relationship between national parliaments and the European parliament would have to be much more carefully structured.

If some member states wish to run ahead of the rest and implement their own view of the institutional development of Europe, as suggested by the CDU document, they should be aware that such action is likely to divide Europe again. The concept of a multi-track, multi-speed Europe is one of managed differences. To assign responsibility for core functions in a way which also affects key institutional relationships could, however, lead to unmanageable divergence. Nobody, least of all the German Christian Democrats, really wishes to see this happen.

Frank Vibert

The author is deputy director of the European Policy Forum

OBSERVER

Danger man's meaty memo

■ What precisely is Günther Burghardt's game? Earlier this year, the boss of the new Brussels directorate of external political affairs was patting himself on the back, telling the European Commission's internal magazine what a significant contribution his DG1A, as it is called, had made to a common European foreign policy.

The impression was of a clued-up operation, dispatching secret telegrams hither and thither and generally functioning like any national foreign ministry. So has DG1A had its feet up this summer?

The question arises because of the content of a memo circulating at the highest level of the Commission presenting a rather sorrier state of affairs. It whinges about an "almost total lack of strategic planning, a repeated disregard for agreed EU rules, coupled with regrettable ups and downs in the performance of the Council Presidency system".

It lays into France for acting unilaterally in Rwanda, Britain and Italy for getting into a huddle on eastern Europe, and Greece for slapping a trade embargo on Macedonia. The draft concludes: "The very notion of a common foreign and security policy sounds increasingly hollow."

Could it be that the author hates the whole idea of closer co-operation? Actually no, since the memo is penned by none other than G. Burghardt. In which case it looks suspiciously like a ploy to bolster the Commission's foreign policy role ahead of the 1996 review of Maastricht.

There is fighting talk of more funding for EU budgets and even of introducing an element of majority voting on foreign policy matters. All anathema to the French and the British. No, DG1A has not had its feet up all summer.

Egged on

■ As if in rebuttal of Observer's jibe yesterday – relating to a £4.6m reduction in parliamentary costs, thanks to lowered "activities" – word reaches us of the peripatetic Tim Eggar, who has just spent his third consecutive night on an aeroplane.

Sunday evening saw him whizz back from Chile, part of a business delegation. On Monday he joined a night flight to Baku, attended the signing of British Petroleum's Azerbaijan oil deal, and flew back last night. Presumably a well-earned rest tomorrow then? "He has a full diary," says his office. Well, he *is* minister for energy.

Homely homily

■ For once, British Telecom, which has just torn up a £1,000 bill incurred by a toddler "phoning" his great grandparents in the West Indies, can teach other companies a thing or two about customer relations. The House of Fraser group, for instance, has been having a rather unseemly wrangle with a pensioner.

'If you stare at it really hard, it turns into a cannabis plant'

Ten years ago, Walter Mealey sent £1,006 to one of its stores for some furniture, which he then decided against buying.

He left the money at the store reasoning that, if he could find nothing else to spend it on, House of Fraser would eventually pay him a reasonable rate of interest.

Most unwise. If he had put it into almost any building society, his original sum would by now be worth more than £2,000, thanks to fairly high interest yields during the 1980s.

After lengthy correspondence, the store has now sent him a cheque for £1,250 – the original sum plus £244 interest, which the group calls a "gesture of goodwill".

Obviously the annual percentage rate on goodwill doesn't match that charged on most store cards.

Down and out

■ Traditions die hard at the 116-year-old Chartered Institute of Bankers where, after a quarter of a century as a humble scribe, the new secretary-general Gavin Shreeve is getting used to tea and biscuits served daily in his heavy wood-panelled office.

Actually, far from relishing the cosy ways, Shreeve appears impatient to shake things up at what is the main professional body for British bankers.

For starters, the lease on the offices at that grand City address Number Ten Lombard Street expires next year and staff will have to get used to a new abode – or rather two.

The CIB already has an office in Canterbury and the plan is to move most of the rest of the staff down there, keeping in London only a few employees and the institute's rather splendid library. Inquiries are being made around the Threadneedle Street area – which the CIB old-timers seem to regard as more than a bit of a let-down.

Come on chaps, if it's good enough for the Bank of England . . .

Hit for six

■ Smiles all round in Cape Town yesterday as John Major put the seal on South Africa's return to the fold, making the first prime ministerial visit since Harold Macmillan stopped off to deliver his "winds of change" speech in 1960.

From the sublime to the ridiculous. Major tried a joke or two, claiming that Norma throws bread rolls at him if he drones on too long.

Zulu leader Chief Buthelezi managed a better, if somewhat more obscure jest, telling reporters that he had always considered Lady Thatcher to be a man – a Zulu compliment, apparently.

It was left to Nelson Mandela to lend a proper tone to proceedings. Rather than kow-towing to the parade of UK business types jostling round Major, the great man peered over their shoulders and was heard to say: "Yes, but where is Sir Colin Cowdrey?"

Two plus two

■ Back to bankers, and a question as to how many varieties of the species there are? Why, three of course. Those who can count and those who can't.

FINANCIAL TIMES
Wednesday September 21 1994

Inkatha could lose control of Natal in feud

King dismisses Buthelezi as Zulu prime minister

By Mark Suzman in Cape Town

The feud between two of the leaders of South Africa's 9m Zulus came to a head yesterday when King Goodwill Zwelithini dismissed Chief Mangosuthu Buthelezi as his prime minister.

The confrontation between the two men could lead to a change in the political control of Natal's provincial parliament, currently held by the chief's Inkatha Freedom party, and help reshape the political future of South Africa as a whole.

The sacking could undermine Chief Buthelezi's position as a minister in the country's coalition government if he were to face a challenge from within the ranks of his party.

In an announcement released at Nongoma in KwaZulu/Natal province by the royal council, a group of advisers to the monarch, the king said he was dismissing Chief Buthelezi from his post as traditional prime minister to the royal house and would have no further contact with him.

The move represents the biggest political upheaval since President Nelson Mandela took office following South Africa's first all-race elections in April.

The statement also said the king was cancelling this year's Shaka Day celebrations, an annual festival to celebrate the Zulu kingdom's 19th century founder, which had been due to take place next Saturday. He instead called on the Zulu people to observe a four-day period of "prayer, unity, reconciliation and peace".

Both men will be vying for support of the conservative, traditional rural vote that in April helped give Chief Buthelezi's Inkatha Freedom party a narrow victory in KwaZulu/Natal over Mr Mandela's African National Congress.

Should the king win what is likely to be a bitter and possibly violent contest control of the province could pass to the ANC, with whom the king has established close links. Victory for Chief Buthelezi could reinforce Inkatha's hold over the region's assembly and keep open the possibility that he might press for greater powers for what would become a virtually autonomous Natal.

Mr Mandela, speaking during a press conference in Cape Town yesterday with Mr John Major, the visiting British prime minister, played down the apparent rift. He said relations between the King, Chief Buthelezi and himself were "very good" and expressed optimism that the problem could be speedily resolved.

Chief Buthelezi said he had received no formal communication from the king. Mr Ziba Jiyane, Inkatha secretary general, said the party would press ahead with next weekend's celebrations without the king's participation.

"No force on earth would stop the Zulus commemorating Shaka Day," Mr Jiyane said.

Major in Cape Town, Page 4

France appeals for delay on freeing of air routes

By John Ridding in Paris

The French government yesterday raised the prospect of a new clash with the European Commission over aviation policy, announcing that it was appealing to the European Court of Justice in an attempt to delay the liberalisation of two of its most profitable domestic air routes.

A statement issued by the transport ministry said that immediate competition on the routes from Orly airport near Paris to Toulouse and Marseilles would "damage the balance of the country's internal air routes".

It called for a suspension of an April ruling by the Commission, which ordered France to open the routes by October 28, until the European Court had made its decision.

The appeal is the latest step in a protracted battle to liberalise French domestic air routes.

It follows a bitter struggle earlier this year over access to Orly airport for British carriers operating from London.

The French government opposed the opening of the London-Orly routes, but ultimately yielded to pressure from Brussels and Britain to allow Air UK, British Airways and TAT, its French affiliate, to fly to Orly.

That agreement and commitments to facilitate international traffic to Orly helped clear the way for a FFr20bn ($3.79bn) capital injection for Air France, the lossmaking state-owned carrier.

A delay in the liberalisation of the Toulouse and Marseilles routes would come as a blow to TAT, which is 49 per cent owned by British Airways.

TAT officials were not available for comment yesterday, but the airline has said it wants to start services from Orly to Toulouse and Marseilles as quickly as possible.

The decision by the Commission to order the opening of the routes followed a complaint filed by TAT.

Mr Bernard Bosson, the transport minister, said that France was not against the principle of opening the routes in question but disagreed about the timing.

The French government has said it will open the Orly-Marseilles route in April 1995 and the Orly-Toulouse route in April 1996.

It has said, however, that it would limit the liberalisation of each of the routes to one new carrier.

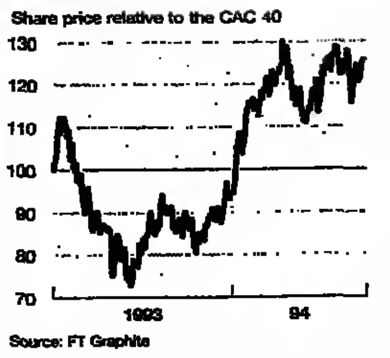
The routes are currently operated by Air Inter, the domestic affiliate of Air France.

The airlines have so far resisted the liberalisation of profitable domestic routes, claiming that those routes offset the unprofitable domestic routes they are also required to operate by the French government.

THE LEX COLUMN

Marginal momentum

FT-SE Index: 3073.3 (-41.8)



Source: FT Graphite

Eighteen months ago, margins at the UK's big food retailers appeared on the verge of collapse under a new wave of pricing pressure from discounters. Tesco's interim figures show such fears were misplaced. It held the year-on-year decline in gross margins to 0.1 per cent in the first half, following a drop of 0.7 per cent in the second half of 1993. Like-for-like sales rose by 4 per cent, further evidence that Tesco's strategy for fending off the threat from the discounters has been effective – so far.

Tesco has responded to the challenge by cutting prices of key products, putting pressure on suppliers and improving operating efficiency, tactics also adopted by J. Sainsbury. These steps could not have eliminated the intense competitive pressures in the sector, but they appear to have shifted some of those pressures back on to the discounters themselves. Judging by Shoprite's profits warning this summer, problems at Lo-Cost, the Argyll subsidiary, and analysts' scaled back expectations for Kwik Save, low prices alone have failed to make really damaging inroads into the big retailers' territory.

That said, market conditions are far removed from the second half of the 1980s when margins climbed at a comfortable 1 per cent a year. In a low-inflation environment dogged by overcapacity, it will be a struggle to preserve margins at existing levels. The sector has risen against the market by 20 per cent in the last six months. Further outperformance on this scale is unlikely.

UK economy

The immediate causes of yesterday's slippage in UK gilts and 42-point fall in the London equity market were to be found abroad. The US trade deficit unsettled New York markets, while Germany worried about the imminent August money supply numbers. At least in gilts, though, the nervousness fits badly with the domestic data. Net new mortgage commitments at building societies fell 7 per cent in August while the fall in retail deposits in the banking system suggests consumers may be squeezed by higher taxation. With recent growth in M4 money supply well within the target range, there seems to be little pressure for a further rate rise.

One danger, though, is that markets tend to confuse weakness in consumer demand and housing with weakness in the economy as a whole. The chancellor's decision to raise base rates last week clearly reflected a broader view of the economy in which growth is driven by other things, notably exports. As long as the overall growth rate remains high, the output gap will continue to close and companies will try increasingly to pass on higher input costs.

The authorities may thus feel tempted to tighten monetary policy further, but while corporate borrowing remains low the risk is that of overkill. Against that background, gilts look an outright bargain at yields of over 9 per cent, but equities will continue to struggle.

Michelin

Michelin, best known for its dumpy Bibendum mascot, has been on a strict dietary regime since 1990 when it swallowed Uniroyal Goodrich in a $1.5bn gulp. Digestion has not been easy. Net debt continues to lie heavily on the group, and has fallen only 3.8 per cent since December 1992. Costs remain high, in spite of two draconian rationalisation programmes.

Yesterday the company proudly announced that over the last year it had cut salary costs by 3.8 percentage points to only 39.7 per cent of sales. A more apt comparison might be with Goodyear, where wage costs last year were equivalent to 24.4 per cent of turnover.

Michelin expects further help from a market which may not be that co-operative. In the US, where its operations are still not in profit, the market has enjoyed three years of growth and may soon peak. In Europe, car sales have risen 6 per cent so far this year, but growth rates may be slackening. The European high-margin replacement tyre market, where Michelin is particularly strong, remains sluggish and there are no signs the group can pass on higher raw material costs. Profits and cash flow will undoubtedly continue to improve as Michelin rides the cycle, but if it wants to become anything more than a large, but flabby tyre manufacturer, a stricter regime is required.

Attwoods

Browning-Ferris Industries' hostile bid for Attwoods is mean but clever. It is mean because the 109p per share offer provides no bid premium, while immediately enhancing BFI's earnings per share. It is clever because it stands a good chance of succeeding. The key to the battle is that Laidlaw, Attwoods' 30 per cent shareholder, has irrevocably pledged its stake at the offer price. So even if a higher bid materialised, the extra pennies would go to BFI, not Laidlaw. BFI trumpeted this agreement as proof that the offer was fair; the reality is that Laidlaw so badly wanted out that it was prepared to accept BFI's stiff conditions.

This puts other shareholders in a bind. Attwoods can hardly argue for an independent future given its poor record. But if there was an obvious white knight prepared to pay more, Laidlaw would have found it already. Warburg, Attwoods' merchant bank, will have its work cut out to rustle up a better bid. But, since it is still smarting from its high-profile failure in the Enterprise/Lasmo bid, the bank has every incentive to prove its doubters wrong.

Mirror/Scottish TV

Mirror Group's protestation that it does not believe it necessary to control Scottish TV can probably be taken at face value. Not only is it unlikely that the Mirror would ever be allowed to control STV, because the two groups dominate the Scottish newspaper and TV markets, but the Mirror has anyway developed a fondness for exerting significant influence through minority stakes, as shown by its stake in Newspaper Publishing, the Independent's owner. The Mirror can be expected to press STV to provide programmes and expertise for its new cable TV channel. If it succeeds, its 14.9 per cent stake could look a cheap way of diversifying beyond the price-war ridden newspaper market.

Michelin in profit again

Continued from Page 1

was restrained by the relative strength of sales of original equipment tyres, sold directly to carmakers, rather than higher-margin replacement tyres which are sold to individuals.

In the US, the company expects the combined operations of Michelin and Uniroyal Goodrich, acquired in 1990, to break even this year. After tough negotiations with the United Rubber Workers' Union, Michelin said it had implemented more efficient rotating shifts.

Volume growth of 13 per cent in Europe, which increased market share, partly reflected a new strategy of offering a more diversified tyre range.

Michelin has also seen strong demand for "green" tyres, which reduce fuel consumption through lowering resistance with the road.

Michelin described the tyres as the most important technological innovation since its development of the radial tyre. It aims to produce about 14m green tyres this year, compared with about 2m in 1993.

Michelin forecast continued progress in the second half this year and said the European economic recovery should be confirmed by a more marked improvement in the market for replacement tyres.

A FFr2.5bn exceptional charge relating to restructuring was the main factor in the large first-half loss in 1993. But even stripping out exceptional charges, Michelin achieved a net profit of FFr732m against a loss of FFr827m in the first half of 1993.

Paris and Bonn call for Brussels plan on EU expansion

By David Buchan in Paris and Lionel Barber in Brussels

France and Germany agreed yesterday to ask the European Commission to produce a consultation paper next spring setting out a plan for enlarging the European Union to eastern Europe.

The idea is to emulate Lord Cockfield's celebrated 1985 document which set out a list of measures for the European Community to adopt in order to complete the single market by 1992, a Brussels official said yesterday.

EU officials hope the detailed pre-accession strategy will give the former communist countries of central and eastern Europe fresh incentives to consolidate economic reform, while persuading them that their aspirations for EU membership are taken seriously.

The Franco-German call was made at the end of a two-day meeting in Paris of both countries' foreign ministers and ambassadors to the six EU candidate countries – Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania – and Latvia, Lithuania and Estonia. The aim of the conference was to pool information on eastern Europe.

Mr Klaus Kinkel, German foreign minister and president of the EU's Council of Ministers, said the document "should map out the road ahead" for east Europe's eventual integration. Among other elements, it should cover the difficulties of adapting its economic, banking, legal and transport systems to EU norms.

One likely approach is for the Commission to draw up a list of between 100 and 150 measures for the east Europeans to adopt in order to make their legislation compatible with EU standards. In return, the EU would phase out anti-dumping measures and thereby expand the single European market eastwards.

French foreign minister Mr Alain Juppé, whose country takes over the EU presidency from Germany in January, said the idea would be broached with Mr Jacques Santer, the Commission president-elect.

Both foreign ministers claimed that their governments were at one on enlargement to the east, but differences of emphasis emerged over how far the EU should try to lift eastern Europe's standard of living to its own.

Mr Kinkel said it was important to treat eastern Europe as a whole. "We cannot have wages in Dresden that are twice as high as in Budapest, which are twice as high as in Bucharest."

However, the French side emphasised possible costs. Mr Alain Lamassoure, France's EU affairs minister, said if all east European and Baltic countries were next year to enter the Union with unchanged farm and structural funds rules, the EU budget would have to double.

FT WEATHER GUIDE

Europe today

Low pressure over southern France will bring rain to central and southern regions. Intermittent rain will also linger along the northern coast of Spain and in the Alps. Thundery showers will develop in eastern and north-east Spain and over the Balearics.

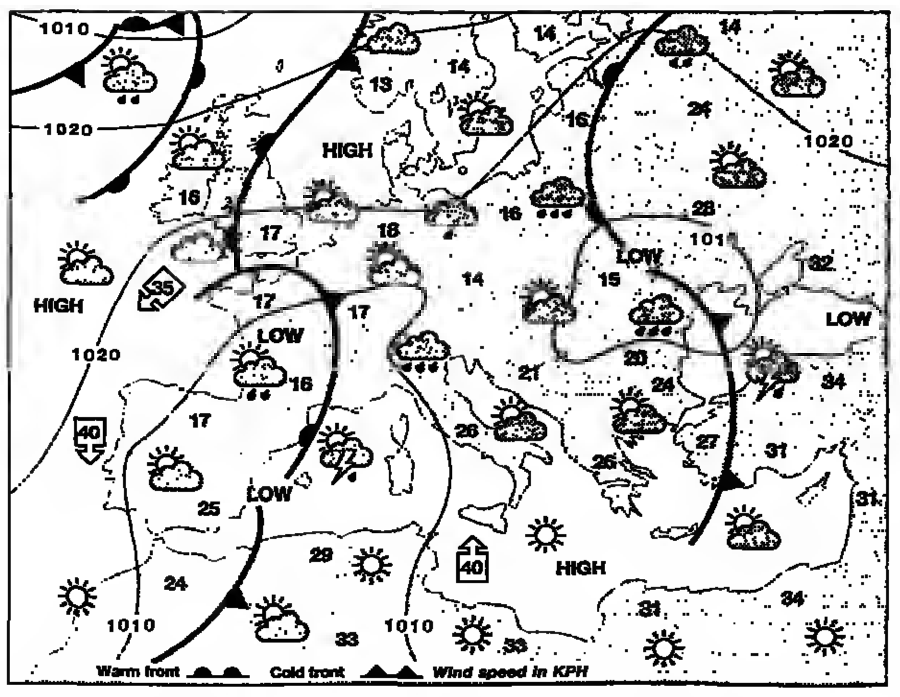
The Mediterranean will be mainly sunny, except for some eastern regions. Western Turkey will have thundery showers. The north-eastern Balkans, Ukraine, eastern Poland, western Russia and the Baltic states will be cloudy and rainy.

Other areas of Russia and Europe will be mainly dry with some sunshine.

Five-day forecast

Southern Scandinavia will become increasingly sunny. The western Mediterranean will be unsettled, with thundery showers in north-east Spain and south-east France.

Heavy rain is expected tomorrow and Friday over the Alps. Conditions will be mixed in north-western Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	cloudy	31
Algiers	fair	29
Amsterdam	fair	19
Athens	sun	28
Atlanta	fair	27
B. Aires	fair	24
B.ham	cloudy	17
Bangkok	shower	33
Barcelona	thund	19
Beijing	cloudy	29
Belfast	cloudy	16
Belgrade	fair	20
Berlin	cloudy	15
Bermuda	cloudy	32
Bogota	cloudy	18
Bombay	rain	29
Brussels	fair	18
Budapest	cloudy	15
C.hagen	fair	17
Cairo	fair	33
Cape Town	sun	20
Caracas	cloudy	31
Cardiff	cloudy	17
Casablanca	fair	24
Chicago	shower	26
Cologne	fair	19
Dakar	cloudy	30
Dallas	sun	31
Delhi	fair	34
Dubai	sun	38
Dublin	cloudy	16
Dubrovnik	fair	22
Edinburgh	fair	16
Faro	fair	25
Frankfurt	fair	19
Geneva	shower	16
Gibraltar	fair	24
Glasgow	cloudy	17
Hamburg	fair	17
Helsinki	cloudy	14
Hong Kong	shower	30
Honolulu	cloudy	32
Istanbul	sun	26
Jakarta	cloudy	32
Jersey	shower	15
Karachi	fair	34
Kuwait	fair	43
L. Angeles	fair	24
Las Palmas	fair	27
Lima	cloudy	18
Lisbon	fair	18
London	cloudy	17
Lux.bourg	fair	17
Lyon	rain	17
Madeira	sun	25
Madrid	fair	19
Majorca	thund	24
Malta	sun	27
Manchester	cloudy	18
Manila	cloudy	33
Melbourne	shower	14
Mexico City	cloudy	18
Miami	shower	32
Milan	shower	19
Montreal	fair	20
Moscow	fair	26
Munich	fair	17
Nairobi	cloudy	27
Naples	fair	26
Nassau	fair	32
New York	fair	24
Nice	rain	20
Nicosia	sun	34
Oslo	fair	15
Paris	shower	17
Perth	fair	24
Prague	cloudy	14
Rangoon	shower	30
Reykjavik	rain	9
Rio	fair	21
Rome	fair	25
S. Frsco	fair	25
Seoul	shower	27
Singapore	cloudy	29
Stockholm	fair	15
Strasbourg	fair	19
Sydney	fair	19
Tangier	fair	22
Tel Aviv	fair	31
Tokyo	fair	28
Toronto	fair	20
Vancouver	fair	21
Venice	fair	20
Vienna	rain	17
Warsaw	shower	18
Washington	fair	26
Wellington	rain	9
Winnipeg	fair	16

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1994 Wednesday September 21 1994

IN BRIEF

Bertelsmann net profit up 15%

Bertelsmann, the German media group, increased net profits by 15 per cent to DM759m ($489m) for the year to June 30, helped by rapidly expanding US operations. Page 16

Iridium raises $733.5m in equity
Iridium, the international consortium building a global satellite system for mobile phones, has raised a further $733.5m in equity, which completes its equity financing. Page 16

Swissair trims halfway deficit
Swissair, the Swiss international airline group, flew through turbulent skies in the first half of 1994, suffering a SFr48m ($37m) net loss compared with a SFr65m loss in the same period of last year. Page 17

Upbeat outlook for US biotechs
The US biotechnology industry continues to confound the pessimists and flourish, despite the difficult economic and political climate, according to the largest annual survey of biotech companies. Page 17

Azucarera counter-offer backed
The Spanish government has backed a domestic counter-offer for General Azucarera, Spain's second-largest sugar company, rejecting a Pta5,100 ($39.60) per share offer made by Générale Sucrière, a subsidiary of Saint-Louis, the French food and paper group, and the UK's Tate & Lyle. Page 17

BNP profits rise sharply
Banque Nationale de Paris, a leading French banking group, yesterday affirmed the upward trend in the domestic financial sector by announcing a steep increase in net profits to FFr914m ($172m) for the first half from FFr522m in the same period last year. Page 17

Hoechst to appoint foreigner to board
Hoechst, the German chemicals multinational, announced an infusion of fresh blood – and foreign experience – into top management. Mr Ernest Drew, 57, chairman and chief executive of the group's Hoechst Celanese US subsidiary, is to become the first foreign member of the main board. Page 28 17

Cable venture formed for Australia
A joint venture – Optus Vision – has been formed in Australia to develop a broadband cable network. The cable system aims to deliver local telephone calls, pay television and, by 1998, interactive services to 50 per cent of Australian homes. Page 18

Hays lifted by recruitment units
A sharp rebound in profits from personnel recruitment agencies helped Hays, the business services group, increase pre-tax profits by 32 per cent, to £87.8m ($135m), in the year to June 30. Page 22

Storm in a coffee cup
Guatemala's cardamom exports, which account for more than two thirds of world exports of the spice, may be threatened by the decision to move Guatemala's embassy in Israel from Tel Aviv to Jerusalem. About 85 per cent of Guatemala's cardamom exports go to Arab countries where it is mixed with coffee, and when other countries moved their embassies to Jerusalem, Arab nations severed diplomatic relations and imposed economic sanctions. Page 24

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Holzmann	923	+	41
Falls			
BMW	780	-	12
Lahmeyer	687	–	13
MAN	410	–	7.2
Mitgschft	158.5	-	8.5
Porsche	705	-	30

NEW YORK ($)

Rises			
Digital	27¾	+	1
HithTrust	31¼	+	1¼
Falls			
Bnkrs 1st	60¾	–	1½
Chiron	70½	–	2¾
Lotus Dev	41	–	1¼
Nat Med	17⅞	–	1⅛

PARIS (FFr)

Rises			
Air Liquide	722	+	12
Dck France	757	+	19
Falls			
Bongrain	3030	-	110
Eridan Cl	737	–	25
Sagem	2455	–	85
Simco	401	–	17

TOKYO (Yen)

Rises			
Aoyama Trad	3420	+	150
Central Fin	480	+	24
Daikyo Inc	987	+	44
Kaneko	763	+	28
Miyaji Iron	647	+	37
Falls			
Akebono Brk	635	–	15

New York prices at 12.30pm.

LONDON (Pence)

Rises			
Attwoods	117	+	8
Gates (Frank G)	70	+	5
Matthews (B)	127	+	6
Mirror Group	139	+	11
Nelson Hurst	160	+	7
Scottish TV	501	+	58
Ulster TV	720	+	37
Wolstenholm Rink	808	+	38
Yorks-Tyne T TV	392	+	29
Falls			
Betterware	46	–	4
Carpetright	223	-	9
Forte	213	-	6
Pearson	564	-	19
RMC	905	-	22
Ramco Energy	244	-	28½
Tomkinsons	215	-	25
Wassall	289	-	11

Credit Suisse group's takeover of Neue Aargauer continues industry consolidation

CS Holding rescues Swiss regional bank

By Ian Rodger in Zurich

CS Holding, the international financial services group built around Credit Suissa, has launched a SFr905.6m ($686m) rescue package and agreed takeover bid for Neue Aargauer Bank, Switzerland's largest regional bank.

The move follows a review of NAB's credit standing which revealed a need for extraordinary write-downs of about SFr200m.

This is the latest and largest development in the consolidation among Switzerland's smaller banks. Many of the these banks, which specialise in mortgage lending and credits for small and medium-sized businesses, were badly hurt in the recession and property price slump of the early 1990s, and have been unable to get back on their feet.

The Spar und Leihkasse Thun, near Bern, collapsed in 1991, leaving deposit holders with large losses. The country's leading banks, seeking to protect Swiss banking's image, put in place a rescue procedure which has prevented any subsequent failures.

The process of mergers and acquisitions by the bigger banks has caused the number of regional banks to tumble to 155 at the end of last year from 238 in 1988. The pace appears to be accelerating following a tightening of bank auditing standards.

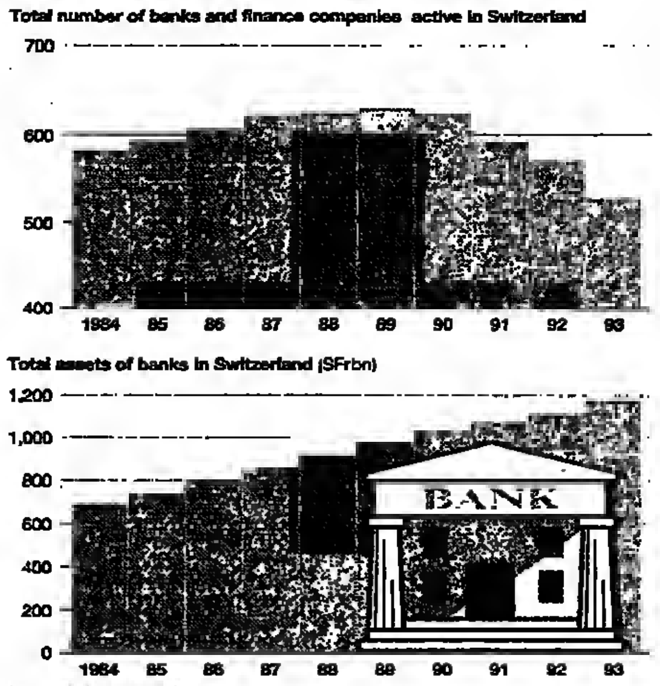
NAB, established in 1989 by the merger of two regional banks in the canton of Argovie, claimed total assets of SFr9.2bn at the end of 1993 supported by equity of SFr457.4m.

Credit Suisse said there were no spectacular causes of the extraordinary write-down, just a more rigorous assessment of the bank's assets by a new auditor. In an initial step, Credit Suisse is advancing a SFr200m convertible loan to NAB. Conversion of the loan at SFr2,000 per share and other options on NAB shares held by Credit Suisse would give it 34 per cent of NAB's capital.

Meanwhile, CS Holding is offering three of its bearer shares and three of its registered shares for each of the remaining NAB shares, equivalent to SFr2,016 a share at Monday's closing prices. This values NAB at SFr705.6m.

CS Holding said it would make over its position in NAB to Credit Suisse by way of a non-cash capital contribution. Credit Suisse said the acquisition of NAB would raise its market share in an important industrial region. It said NAB would maintain its identity and local character.

Fewer favoured by rising assets



Source: Swiss National Bank

McCaw to cut AT&T earnings by 10% in first year

By Tony Jackson in New York

AT&T, the large US telephone group, expects its earnings to be diluted by 10 per cent in the first year of its ownership of McCaw Cellular Communications, AT&T said yesterday. AT&T said it would take 18 months to integrate McCaw fully into its operations as a result of regulatory requirements. The $11.5bn acquisition of McCaw was formally completed on Monday.

McCaw, the largest US operator of mobile phones, will be renamed AT&T Wireless Services. Its operational head will be Mr James Barksdale, McCaw's president and chief operating officer. Mr Craig McCaw, the company's 45-year old founder, would sit on the AT&T board, but play more of a consulting role, AT&T said.

Mr Robert Allen, AT&T chairman, said litigation by regional Bell telephone companies seeking to block the merger was largely a nuisance. "We've obviously made the judgment that the remaining risks do not warrant delaying any further."

Under US Department of Justice terms, McCaw must offer access to its networks to long distance telephone companies competing with AT&T, and notify its customers.

This would take a minimum of seven months for any one market, and 18 months for all the 105 local systems which McCaw controls. Until then, McCaw could not offer its services under the AT&T brand name, Mr Barksdale said. Mr Allen said AT&T, which is not constrained by the same "equal access" provisions as McCaw, would start offering combined wireless and wired services to its customers immediately, starting with the business market.

Mr Barksdale said McCaw's spending on capital investment and marketing would not necessarily rise as a result of the merger. In particular, AT&T had access to cheaper finance than McCaw, which had very heavy borrowings. There would be no job losses at McCaw, he said.

The deal leaves British Telecom holding 35.8m AT&T shares, amounting to about 2.3 per cent of the equity, in exchange for its stake in McCaw. "I'd be reasonably sure their interest, for reasons of competitive conflict, would be to dispose of those shares as soon as possible in an orderly fashion," Mr Allen said.

US waste group strikes secret deal with Laidlaw

BFI's hostile bid gives Attwoods a rude awakening

By Peggy Hollinger in London and Bernard Simon in Toronto

Attwoods, the UK waste group, yesterday attacked a £364m ($564m) hostile bid from Browning-Ferris Industries of the US as an opportunistic attempt to take advantage of one shareholder's desire to sell.

The bid was sprung on the UK waste services company yesterday morning after a late-night deal between BFI, one of the biggest US waste management companies, and Attwoods' largest shareholder, Laidlaw of Canada.

Laidlaw, which has three directors on Attwoods' board, put the company into play by agreeing in secret talks to sell its 29.8 per cent stake to BFI for 109p a share. Laidlaw has also agreed that in the case of a higher offer from another bidder, it will remit the difference to BFI.

Mr Ken Foreman, Attwoods chief executive, was believed to be less than happy yesterday over Laidlaw's actions.

The fact that the Laidlaw directors who negotiated the deal with BFI had access to Attwoods' management accounts and budgets could be a blow to Attwoods' defence to the bid. The defence must also deal with a reputation tarnished by ill-fated acquisitions, financing difficulties and management problems.

Laidlaw said it had tried to sell the Attwoods stake for a year. It is believed to have approached BFI some months ago.

Mr Jim Bullock, Laidlaw chief executive, said the deal had been concluded in the interests of all shareholders. "If there were any improvement in the offer, it would be to the benefit of other shareholders, not to Laidlaw," he said. "We've been quite scrupulous in making sure that all shareholders are treated the same."

Attwoods' future will now depend on two other substantial investors, Templeton Investments of the US and Fidelity, which together control almost 27 per cent. Analysts yesterday expected the institutions to hold out for a higher offer. The current bid was "extremely low, very opportunistic and right at the bottom of the 12-month trading range", said Mr Robert Miller-Bakewell of NatWest Securities.

William Ruckelshaus: BFI chief

BFI is offering 109p per share, against last night's close of 117p. The offer represents $8.53 per American Depository Receipt, equivalent to five shares, and 85p per preference share.

Laidlaw has agreed to sell its 73 per cent preference holding to BFI if the ordinary offer goes unconditional.

Laidlaw has also agreed to buy Attwoods' German portable sanitation business for $56.8m, if BFI cannot find an alternative buyer. If BFI gets a higher price for the business, Attwoods' shareholders will receive the difference in an additional payment.

Lex, Page 14;
Disturbed night, Page 23

AEG to spin off drive systems unit in French venture

By Christopher Parkes in Frankfurt

Daimler-Benz's shrinking AEG subsidiary is to spin off its drive systems operations into a joint venture with France's Cégélec, a member of the Alcatel Alsthom group.

The loss-making German company will take a 49 per cent stake in a business turning over DM1.4bn ($915m) annually – DM600m from AEG – under management control of Cégélec.

The venture will be one of the world's leading suppliers of project and drive systems with factories in four European countries, the US, Australia and China, AEG claimed.

This is the latest step in AEG's slimming and restructuring programme launched last December with the announcement of the sale of one of its few profitable divisions - household appliances - to Electrolux.

The Swedish multinational has since paid DM730m for the 80 per cent of the AEG operations it did not already own.

Other measures include the establishment of a 50:50 joint venture in robotics and computer controls for plant and machinery with the French group, Schneider. Like the Cégélec venture, this deal was designed to create a business big enough to compete internationally.

AEG Schneider Automation International, based in Paris with DM1bn turnover, is reckoned to be the second biggest company in its field in a world market worth DM6bn annually. Other leading players are Siemens and Allen Bradley of the US.

Philips of the Netherlands bought the lighting business, while the collapsed Olympia office equipment division went to Hong Kong's Elite group.

Meanwhile, AEG has taken control of most of the Daimler-Benz group's microelectronics interests and absorbed the high-performance diesel engine operations of MTU.

It is in the process of expanding its electronic mail-sorting equipment arm through a $260m agreed takeover of the Texan group, ElectroCom.

Although AEG has forecast a deficit this year after a DM1.2bn net loss in 1993, improving world demand for industrial plant and electrical components is expected to help it towards its goal of breaking even in 1995.

Barry Riley

New benchmark worries UK pension funds

British pension funds are just beginning to face up to the potential upheaval which could result from the forthcoming legislation on pensions. With the imposition for the first time of a statutory minimum solvency standard, funds could be faced with a new effective benchmark which excludes the overseas equities which on average comprise 26 per cent of their portfolios. Moreover the benchmark will often imply a weighting of 50 per cent or more in gilt-edged, against only about 7 per cent at present.

Of course, UK pension scheme portfolios are not suddenly going to be emptied of global equities worth $160bn. Nor are the pension funds going to beg the UK government to create more than $200bn of extra gilts. But over several years the asset allocation structure of UK pension funds is likely to change substantially.

Recent investment strategy has been driven by peer group pressure and high historical equity returns, to the exclusion of liability-matching considerations. Thanks to the influence of me-too median fund performance benchmarks the typical pension fund is now around 80 per cent in equities.

In international terms this is anomalous, as has been pointed out by the analysis *Global Pension Fund Indicators* from UBS Asset Management. The strategy has paid off before – over the past 10 years, the average pension fund annual real return in the UK was 10.8 per cent, the third highest out of 18 countries surveyed. But UBS warns that UK funds are now overexposed to equity risk.

In chasing high returns, UK funds have largely ignored their increasing maturity – that is, they have proportionately more liability to pay pensions in the near term, for which gilts provide a safer match than equities.

At a Goldman Sachs seminar last week in London an actuarial consultant, Mr Roger Urwin of Watsons, pointed out that in the past few years the asset allocation of UK pension plans has been *converging* even though their liability structure has been *diverging*.

> **The later the strategy switch is performed, the worse the terms may be**

Now a reassessment looms. True, the actuarial profession has forced a compromise on the solvency test proposed last year by the Goode Committee. Instead of being entirely founded on gilts it will be graduated: it will be based on UK equity returns for liabilities related to younger employees and on mixed gilts and equities for those within 10 years of retirement, while only for current pensioners will the valuation be 100 per cent gilt-based.

The standard will thus vary in its impact according to the maturity profiles of individual funds, but on average the equity content will probably be only 40 to 50 per cent. Moreover there will be no accommodation of the particular risks associated with overseas equities or property.

Flexibility will not be abolished, however. A well-funded scheme will not be *forced* to match this new benchmark for risk. Some companies might raise the funding level so that they can pursue performance-driven rather than solvency-driven objectives. But the danger exists of a stampede by the herd from one benchmark to another.

There is no early deadline. Pension plans will have until at the earliest the year 2002 to meet the solvency test, and attempts are being made to delay and water down the proposals still further. On the other hand, pension scheme trustees may reason that the later the strategy switch is performed the worse the terms may be.

According to Goldman Sachs, sterling bonds will be the biggest beneficiaries, but overseas bonds may have a role for the diversification they can bring. The implications for UK pension fund holdings of overseas equities are very negative, but the change in the UK equity portfolios may not be significant. However, the distinction between domestic and overseas equities is surely becoming blurred.

Already a few of the bigger pension plans with mature liabilities, such as the British Rail Pension Scheme, are shifting resources into bond portfolios. Most funds are waiting for a new consensus to develop, but the logic of the new legislation is clear enough: if the short-term security of members' benefits is to be improved the equity risk-tolerance of pension funds will be correspondingly reduced.

Iridium raises $733.5m in equity

By Andrew Adonis in London

Iridium, the international consortium building a global satellite system for mobile phones, has raised a further $733.5m in equity, which completes its equity financing.

This brings the amount raised to $1.57bn and opens the way for debt financing for the $3.4bn project conceived by Motorola, the US-based electronics group.

Veba, the German energy-based conglomerate, heads the list of new investors with a $140m investment as part of its strategy announced earlier this week to expand its telecommunications operations.

Veba's commitment represents $70m in new investment and an assumption of $70m of Motorola's existing commitment.

Korea Mobile Telecommunications Corporation leads a group of Korean companies investing $70m. Other new investors include Inepar, the Brazilian energy and telecoms group.

More than $400m of the $733.5m comes from existing investors which include US groups Lockheed and Sprint, Bell Canada and 18 Japanese companies including Sony and Mitsubishi.

Iridium is one of several groups seeking to build satellite networks for mobile phones.

The intended market is international business travellers and regions without existing infrastructure for cellular communications.

Last week, Inmarsat, the London-based international maritime satellite communications organisation, launched a company aiming to raise $1bn in equity from its 75 members by the end of the year.

Globalstar, another consortium in the market, is being developed by Loral, the US defence group, and Qualcomm, a California high-technology supplier.

Globalstar has raised nearly $300m from investors such as the French telecommunications groups Alcatel Alsthom and France Télécom.

Iridium's network will comprise a constellation of 66 low-orbit satellites. Subscribers will access the network through dual mode handsets connected to earth-based mobile cellular networks.

Iridium's services will include voice, data, paging and fax. The group, with more than 4,000 employees, is developing its network and negotiating rights of access with regulatory authorities worldwide.

Mr Robert Kinzie, chief executive, said: "With the commitment of the US government to license low earth-orbit satellite systems by the end of January 1995, and the associated grant of interim construction waivers, Iridium's satellite personal communications system will be available worldwide by the end of 1998."

Commerzbank to buy 20% of Polish bank

By Andrew Fisher

Commerzbank yesterday announced a further move into eastern Europe with the planned purchase of a 20 per cent stake in Bank Rozwoju Eksportu *(Export Development* Bank), a privately-owned Polish bank specialising in export and corporate finance.

The German bank said its interest in the bank, founded in 1986 and now with 10 branches, was strategic. The stake requires the approval of NBP, the Polish central bank. The central bank said it would only consider the application after Bank Rozwoju Eksportu has held its next shareholders' meeting in mid-October.

NBP is about to grant an application from Dresdner Bank of Germany and Banque Nationale de Paris to open a jointly-owned subsidiary in Poland. Deutsche Bank, also keen to open up in Poland, has bid for a majority stake in Interbank of Warsaw.

Commerzbank already has a representative office in Warsaw. Elsewhere in eastern Europe, it has a branch in Prague, Czechoslovakia, and a subsidiary in Budapest, Hungary. The German bank also said it had just opened a representative office in Novosibirsk, giving it more outlets in former Soviet countries than any other German bank.

BHF-Bank simplifies structure

By Andrew Fisher in Frankfurt

BHF-Bank, the eighth largest private sector bank in Germany, plans to turn itself into a joint stock company and to shed its partnership status as part of its strategy to become one of the leading advisory and trading banks in Europe.

As the bank's shares are already quoted in Frankfurt – at yesterday's share price of DM387, a rise of DM2, the market capitalisation was DM3.1bn – the legal change will have no consequences for its ownership. About half the share capital is in firm hands, including those of Allianz, the German insurance group, which owns 16 per cent. About a quarter of the capital is held abroad.

The bank said the move to joint stock or AG (Aktiengesellschaft) status would provide it with a simpler internal structure, enabling managers to concentrate more effectively on their specialised fields. That would make sense to foreign shareholders who are sometimes confused by the idea of a quoted bank run on a partnership basis.

The change will be proposed to the annual meeting in May. BHF's operating profits rose by 20.5 per cent last year to DM323m ($205.7m), with group assets nearly 18 per cent higher at DM55bn. In the first half of 1994, operating profits were flat at DM148m.

The bank's six general partners are at present personally liable for the business. They need to keep abreast of aspects of the bank's activities outside their specialities, BHF said it wanted to instil the principle of "performance-oriented entrepreneurship" at all levels.

The bank will pay more attention to merchant banking, expand its equities side and concentrate more on serving wealthy investors. In corporate business, BHF will position *itself as a leading advisory* bank for medium to large German companies.

BHF said its co-operation with IKB Deutsche Industriekreditbank, specialising in long-term finance to small and medium-sized companies, will be intensified.

To strengthen its presence in European mergers and acquisitions, it will co-operate more closely with Crédit Commercial de France and Charterhouse, the UK merchant bank.

Mirror buys Scottish TV stake

By Raymond Snoddy in London

The Mirror Group, the UK publisher of the Daily Mirror, yesterday launched a raid on Scottish Television, spending £37.4m ($58.6m) on a 14.9 per cent stake.

The move is the strongest evidence so far of the determination of Mr David Montgomery, the Mirror Group chief executive, to diversify into television.

The stake, which will make Mirror Group the largest individual shareholder in STV, was bought through its Scottish subsidiary, the Scottish Daily Record and Sunday Mail.

The raid does not appear to presage a further attack on the independent Scottish channel even if UK television ownership rules, which prevent a newspaper group owning more than 20 per cent of an ITV company, are lifted.

Share prices of the ITV companies which have not yet been swallowed by larger predators received a boost from the purchase, however.

Yorkshire-Tyne Tees rose 29p to 392p, neighbouring Grampian by 29p to 354p and Ulster by 37p to 720p. HTV, however, fell by 1p to 164p, probably on the assumption that the 20 per cent stake bought by Flextech earlier this year will help to block takeover attempts.

The Mirror Group bought 7.2m shares at 520p.

STV's share price ended yesterday at 501p, up 58p on the day.

Lex, Page 14

Bull sells part of US operations to Wang

By John Ridding in Paris and Alan Cane in London

Groupe Bull, the French state-owned computer manufacturer, yesterday announced it would sell part of its US and international services activities to Wang of the US for $160m in cash, bonds and shares.

The French group will take a 5 per cent stake in the US company and a seat on Wang's board.

The US company will also become a distributor of Bull products, including its Unix open systems and its Data Zenith Systems personal computers.

The companies described the deal as a strategic alliance. Mr Axel le Blois, chief executive of Bull Information Systems, said the agreement would give Bull critical mass in servicing clients and provide financial resources for its other US activities, including ZDS and its enterprise server business.

Mr Joe Tucci, chief executive of Wang, said the accord would expand the company's customer services, solutions integration, and software activities.

He said the effect of the various acquisitions would increase earnings and cash flow per share.

Bull will sell a number of service activities of Bull HN, its US subsidiary. These include Bull HN's field maintenance services, which provide repairs and maintenance to customers across the US, and its operations in Canada, New Zealand and Mexico.

Wang will acquire Bull's HFSI federal systems integration business, which operates exclusively with the US government.

The businesses to be transferred to Wang have annual sales of about $450m, of which about $320m is in the US.

Afterwards, Bull's US sales should fall to about FFr1.2bn ($220m) annually, from an expected FFr1.5bn for 1995 before the deal.

Both companies are in the middle of *strategic* reorganisations.

Bertelsmann net profit surges 15% to DM759m

By Michael Lindemann in Gütersloh

Bertelsmann, the German media group, increased net profits by 15 per cent to DM759m ($489m) for the year to June 30, helped by rapidly expanding US operations.

Mr Mark Wössner, chief executive, said conditions had become more difficult in the first quarter of this year as margins tightened in the printing business, excluding newspapers, which generates about 20 per cent *of group profits*.

However, he said earnings this year would improve slightly, helped by an economic recovery in Germany. He forecast that turnover would reach DM20.8bn.

Turnover rose 7.2 per cent last year to DM18.4bn, helped by a strong dollar. Accounting for currency movements, turnover was up 5.9 per cent.

The annual profit was struck after the group wrote-off DM435 for start-up costs for Vox, Premiere and other television and music ventures. Writes-offs for Vox, the financially troubled television station in which Bertelsmann holds a 24.9 per cent stake, exceeded DM100m.

Mr Wössner said that book *clubs and all print media interests* remained the most profitable divisions, contributing 80 per cent of net profits.

Adjusting for currency movements, US turnover rose 13 per cent to DM6.9bn and accounted for a third of operating profits of DM1.49bn.

The Bertelsmann music group, based *mainly* in the US, saw sales rise 16 per cent to DM5.3bn.

Foreign activities made up about 67 per cent of sales and the company forecast that this share would rise to about 75 per cent in 2000.

Turnover in Germany rose only 1.1 per cent due to recessionary pressures and a "stagnant" advertising market. That is important for Gruner & *Jahr, the print media* division.

Bertelsmann, still family-owned and operating in 40 countries, said it would be spending DM3.5bn in the coming year, a record investment budget.

Technip investors to cut stakes

By John Ridding

The principal shareholders in *Technip, the French engineering* group, are planning to reduce their stakes in the company, *possibly through a flotation* on the Paris stock exchange, Technip said yesterday.

Elf Aquitaine and Total, France's two big oil groups, Gaz de France, the state-owned utility group, and ISIS, which is part of the state's Institute Français de Petrole, hold the shares in the company. The *largest stakes are held by Elf* and ISIS, which each own 35.9 per cent of the shares.

Technip, which has annual sales of FFr7.6bn ($1.5bn), is mainly involved in engineering and construction work for the oil, energy and petrochemicals sectors. Last year it achieved net profits of about FFr285m, an increase of 25 per cent.

The company is active in all of the world's main geographical markets, and derives 92 per cent of its turnover from exports. It has a workforce of 5,500.

The proposed sale, which could take place by the end of the year, depending on market *conditions, would involve a* French and international offering. Banque Nationale de Paris and Morgan Stanley have been appointed as advisers and lead managers of the issue, while Schelcher Prince has been selected as sponsoring broker.

The sale of shares in Technip, which has been under consideration for several months, would assist its international development, according to industry analysts in Paris.

Recovery in margins lifts Tesco

By Neil Buckley in London

A recovery in margins and faster sales growth helped Tesco, the UK's second-largest food retailer, to increase interim pre-tax profits by 8 per cent to £250.2m ($392m), from a restated £231.4m, but the company remained cautious on the outlook for margins.

Sir Ian MacLaurin, chairman, said gross profit margins, which fell 0.7 percentage points in the previous half-year amid *intense* price *competition*, had recovered to 0.1 points below the first half of 1993.

The increase was due to better terms from suppliers and shifts in the product mix, including the introduction of higher-margin clothing and leisure goods.

However, Sir Ian warned that price competition would remain fierce in the second half, and Tesco did not expect much improvement in gross margins compared with last year. His caution led to a 3p fall in Tesco's shares to 248p.

"The competition has not taken its foot off the accelerator, and it is not going to be *taken off," Sir Ian said.*

He reiterated his view that last year's margin decline was a *"step change," not* the "downward spiral" City analysts feared. But Tesco would respond firmly to any competitive price moves.

UK sales increased by 11.8 per cent to £4.47bn, of which 7.8 percentage points came from 12 store openings. Existing stores contributed 4 percentage points of the rise, made up of 1.5 points of inflation and 2.5 points of volume increase.

Sir Ian said sales benefited from lower prices on basic goods – countering the threat *from fast-expanding discount* grocers – and from Tesco's wider range, new store design, and *improved* service.

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BNP sharp profits rise confirms trend in sector

By Alice Rawsthorn in Paris

Banque Nationale de Paris, a leading French banking group, yesterday affirmed the upward trend in the domestic financial sector by announcing a steep increase in net profits to FFr914m ($172m) for the first half from FFr522m in the same period last year.

BNP's 75 per cent rise in interim profits reflects the continuing recovery in the industry as France's banks, which have had a tough time over the past two years, benefit from the general easing of economic conditions.

Banque Indosuez, the investment banking subsidiary of the Suez group, last week announced an increase in first-half profits and other large banks are expected to follow suit in the course of the current interim reporting season, with the notable exception of Crédit Lyonnais, the ailing state-controlled bank. Analysts are braced for another loss when Crédit Lyonnais's interim figures are published tomorrow.

One of the main factors behind the improvement in BNP's parformance was a reduction in provisioning, according to Mr Michel Pëbereau, chairman.

BNP, like other French banks, was last year forced to make hefty write-downs on poorly performing property investments and small company loans.

However, it managed to restrict net provisions to FFr4.02bn during the first half, 22 per cent lower than in the 1993 interim period.

● **Canal-Plus**, the French pay-TV group, yesterday disclosed a 25.6 per cent fall in interim net profits to FFr503m for the first half of 1994 from FFr676m in the same period last year due to losses on some associate companies and the burden of FFr62m of financial costs against a FFr31m credit for 1993.

Hoechst to appoint first foreigner to main board

By Christopher Parkes
in Frankfurt

Hoechst, the German chemicals multinational, yesterday announced an infusion of fresh blood – and foreign experience – into top management.

Mr Ernest Drew, 57, chairman and chief executive of the group's Hoechst Celanese US subsidiary, is to become the first foreign member of the main board in the company's history.

Mr Horst Waesche, 54, president of Hoechst-Japan, will also join the board after spending virtually his entire career in eastern Asia.

Mr Drew will replace Mr Hans Georg Janson on his retirement on January 10 next year, while Mr Waesche will take the seat of Mr Karl Holoubek. In the interim, chairman Mr Jürgen Dormann, in office since spring, will resbuffle boardroom responsibilities.

Mr Drew, whose only previous foreign working experience was in Canada, said yesterday he had no preferences and no idea what he would be doing apart from starting German lessons today.

However, he expected announcements in the next few months which would indicate the future direction of the company. Mr Drew was until recently head of a working party which reported to the board last month after investigating possible structural changes in group operations.

These seem likely to include a more aggressive approach to investment in the Asia Pacific region, where demand for chemicals and raw materials for manufacturing is growing at double the rate in Europe.

Mr Waesche, who has worked for Hoechst in Singapore, Malaysia and Thailand, recently completed a restructuring of Japanese operations which he has run since 1987.

The appointments appear to complete a top-level shake-out which started shortly after Mr Dormann's arrival when the company announced that membership of the management board was to be reduced from 11 to nine.

Upbeat outlook for US biotechs

By Clive Cookson,
Science Editor

The US biotechnology industry continues to confound the pessimists and flourish, despite the difficult economic and political climate, according to the largest annual survey of biotech companies.

The Ernst & Young report shows the combined revenues of 1,311 companies up 12 per cent to $11.3bn for the year to June 30 1994. Research and development expenses rose by 23 per cent to $7bn, leading to a total net loss for the industry of $4.1bn, compared with $3.6bn for the previous year.

"Biotech is marching on, although lots of people are trying to write its obituary," said Mr Kenneth Lee, Ernst & Young life sciences director.

"Even healthcare reform, which many believed could lead to the demise of many biotech companies, will actually provide a boost to the industry as the new marketplace embraces and reimburses innovative therapies."

The best evidence for the industry's health is the growing number of products undergoing clinical trials – up from 270 a year ago to more than 300 now.

The report shows that the two most successful companies, Amgen and Genentech, are far ahead of the rest. The Californian pair developed eight of the 10 best-selling biotech drugs, and their combined market valuation of $11.4bn accounts for more than a quarter of the whole industry's capitalisation.

Ernst & Young's main concern is whether biotech companies will be able to raise enough new money from investors to fund current levels of R&D. The average company has enough cash in hand to remain in operation for the next 25 months at its current "burn rate"; the comparable figure a year ago was 34 months.

Although venture capitalists invested $639m in biotech in 1993-94 (compared with $459m in the previous year) their money is moving from early-stage companies to later-stage investments. For the first time in the industry's history, the number of start-ups has declined.

US BIOTECH INDUSTRY ($bn)

	Year to June 30 1994	Year to June 30 1993	Change (%)
Sales	7.7	7.0	10
Revenues	11.2	10.0	12
R & D expense	7.0	5.7	23
Net loss	4.1	3.6	14
Market capitalisation	41.0	45.0	-9
Number of countries	1,311	1,272	3
Employees	103,000	97,000	6

Source: Ernst & Young

Swissair trims halfway deficit

By Ian Rodger in Zurich

Swissair, the Swiss international airline group, flew through turbulent skies in the first half of 1994, suffering a SFr48m ($37m) net loss compared with a SFr65m loss in the same period of last year.

Fare wars in many markets combined with the strength of the Swiss franc to undermine "better than expected" growth in traffic and continuing progress in cutting costs.

Nevertheless, the group said it was confident of achieving "a considerably better" net income in the full year. In 1993, net profit tumbled 48 per cent to SFr59m and the group passed its dividend.

Group revenues were down 3.9 per cent to SFr3bn in the first half and operating profit reached only SFr10m, compared with a SFr1m loss, in spite of a 4.3 per cent cut in operating costs. Operating revenues included SFr47m in gains from aircraft sales compared with SFr85m from this source a year earlier.

The group said it had suffered from the high Swiss franc, particularly in Europe where much more of its costs than its revenues are in its home currency. Overall, currency effects knocked more than SFr100m off revenues and SFr50m off operating profits.

The Swissair airline itself achieved a 10.3 per cent advance in traffic volume, and its total load factor improved 3.8 points to 66.3 per cent. The airline said its strongest growing markets were Africa and the Asia Pacific region. However, revenues were down 1 per cent.

Among subsidiaries, the Balair/CTA charter airline saw a 23 per cent rise in demand but only a 7 per cent gain in revenues.

First Interstate to shed jobs

By Richard Waters
in New York

First Interstate, the California-based banking group, announced plans to cut the equivalent of 3,000 full-time jobs as part of a move to raise productivity levels to rival those of the most efficient super-regional banks in the US.

The job cuts, out of a total of about 26,000, will come over the next 18 months, the bank said. It has already slashed staff numbers by some 10,000 since the end of the 1980s. The latest move, announced at an analysts' meeting in New York, echoes the growing reliance of other US banks on cost-cutting to maintain earnings growth.

At about 66 per cent last year, First Interstate's efficiency ratio (the ratio of non-interest expenses to revenues) was higher than the average for other big US regional banks. However, Mr Edward Carson, chief executive, told analysts yesterday that the ratio had come down to 60 per cent by June and was well on its way to reaching the earlier-announced target of "at least 58 per cent" next year.

The job cuts, and other changes to improve efficiency, will result in a restructuring charge of $139m in the current quarter, and a further $26m over the next year.

First Interstate has around 40 per cent of its assets in its home state of California and the rest in other western states, which are among the fastest growing in the US. This, and the success with which it has already raised its profitability, has boosted the company's share price at a time when other bank shares have sagged. Yesterday morning, the bank's shares climbed $1¼ to $83, before falling back to $81¾.

Azucarera counter-offer backed

By Tom Burns in Madrid

The Spanish government has backed a domestic counter-offer for General Azucarera, Spain's second-largest sugar company, rejecting a Pta5,100 per share offer made by Générale Sucrière, a subsidiary of Saint-Louis, the French food and paper group, and the UK's Tate & Lyle.

Acor, Spain's third-largest sugar producer, has matched the offer in co-operation with Banco Popular, the domestic retail bank and Acor's traditional financial adviser, and Refinera de Portugal, the Portuguese sugar cane refiner. Acor, which is owned on a co-operative basis by sugar beet farmers, is seeking 30 per cent of Azucarera, with the Popular group acquiring 10 per cent on a temporary basis and Refinera de Portugal looking for 7 per cent.

Banco Central Hispano (BCH) agreed in July to a Pta20bn ($155m) sale of its 47 per cent stake to Générale Sucrière and Tate & Lyle, which already jointly control 20 per cent. However, the agriculture ministry, which has taken action in the past to prevent foreign takeovers of Spain's edible oils sector, delayed the sale to the end of September.

BCH, which is anxious to maintain Azucarera's banking business after the disposal of its share holding in the company, said it would be seeking clarification directly from the agriculture ministry over the new offer for its shares. It is understood to be aggrieved that its rival Popular group is at the centre of the counter bid. "Our view is the disposal should be good for the sugar sector, good for Azucarera and good for BCH," the bank said.

Industry analysts said, however, that BCH would probably have no option other than to accept Acor's offer. "BCH needs to sell out and raise liquidity, but it is clear that the government does not want part of Spain's EU sugar quota passing into foreign hands," said Mr Juan Cueto, of Ibersecurities, Madrid.

Three top Micron executives quit

By Louise Kehoe
in San Francisco

The three top executives of Micron Technology, a US memory chip manufacturer, have resigned abruptly for "personal reasons". No further explanation for the unexpected resignations was offered.

The sudden resignation of Mr Joseph Parkinson, chairman and chief executive and one of Micron's founders, Mr James Garrett, president and chief operating officer, and Mr Reid Langrill, chief financial officer, baffled analysts.

A possible explanation for the management shake-up is a rift with the company's biggest shareholder, Mr John Simplot, chairman of J. R. Simplot, an agribusiness company, who controls 21.5 per cent of Micron's shares, analysts said.

Micron, based in Boise, Idaho, is locked in competition with much larger Korean, Japanese and US memory chip producers but has been performing well as demand for memory chips outpaces supplies, boosting prices.

For the first nine months of its fiscal year, ending June 2, Micron reported net income of $259m, or $2.47 a share, up sharply from the previous year when the first nine months net income was $41m, or 41 cents. Net sales for the first nine months of fiscal 1994 totalled $1.1bn, compared with $522m for the nine months ended June 3 1993.

Micron is expected to release its fourth-quarter earnings statement this week, with analysts projecting strong earnings of about $1.12 a share.

Banco Wiese shares begin NYSE trading

By Sally Bowen in Lima

Shares in Banco Wiese, the first Peruvian company to be listed on the New York Stock Exchange, were expected to open at about $15 a share today.

The listing is under the ADR Level 3 mechanism, and should allow Banco Wiese to raise between $40m and $50m. This represents about 10 per cent of the bank's total value. Three-quarters of the new issue has been offered in the US, the remainder in Europe and Peru.

Banco Wiese is Peru's second-largest private bank, after Banco de Credito but ahead of the state-owned Continental which is scheduled for privatisation early next year.

It now accounts for some 21 per cent of all deposits in the Peruvian system, compared with 5.5 per cent in 1988, and is among the more liquid shares traded on Lima's small but active bourse.

The bank's offering is being closely followed in Lima. Several other companies are contemplating ADR issues in the near future, including Pantel, the fast-growing telecommunications group, and CPT, Lima's telephone company, in which Telefonica International recently acquired a controlling stake.

EniChem

Invitation to offer to purchase shares of Tecnostampaggi SpA (ex Faini SpA) operating in the plastic moulding sector

EniChem SpA, headquartered in Milan (Italy), Piazza della Repubblica *n.16*, with authorized share capital of Lit. 4,488 billion and subscribed share capital of Lit. 1,496 billion, registered with the Milan Court, Companies' Registry no. 293559, intends to receive and evaluate offers on behalf of o sole party for acquisition of 100% of the issued share capital of Tecnostampaggi SpA.
The company, with offices and facilities at Bovezzo (Brescia - Italy) and operating in the sector of "plastic injection moulding", designs, manufactures and sells articles used predominantly in alectrical household appliances and in technical applications.
Tecnostampaggi SpA achieved sales of approximately Lit. 26 billion in 1993. The company's workforce was 110 employees at 31 December 1993.
For the purpose of this transaction EniChem SpA has angaged the services of PASFIN Servizi Finanziari SpA ("PASFIN"), to whom interested parties should direct all enquiries. The relevant persons at PASFIN can be contacted at tha following address:

PASFIN Servizi Finanziari SpA
Largo Richini, 6 - 20122 Milan, Italy
Tel. +39.2.58374362
Fax +39.2.58314808
Mr. E. Morpurgo
Mr. R. Magnoni
Mr. D. Pilchard

The present announcement is directed to limited liability companies which should register their interest in writing to PASFIN on or before September 30, 1994, by letter or fax, and applying for an information memorandum specifically prepared for the sale.
EniChem SpA reserves the right, at its sole discretion and without assigning any reason, to *refrain* from providing the information memorandum to any interested party.
The information memorandum will be sent after a confidentiality agreement has been validly signed by an officer or legal representative of the company and returned to PASFIN no later then October 14, 1994.
Together with the confidentiality agreement, interested parties must send financial statements for the last three years, a description of its activities and of the industrial and economic rationale for the investment.
Brokers or agents of any kind must disclose the identity of the company they represent and also provide the aforesaid information.

This represents an invitation to offer but does not represent either a public offer ex art. 1336 of the Italian Civil Code, or a solicitation to public saving ex art. 1/18 of Italian law no. 216/74, including all successive modifications and integrations thereto. Neither this invitation, nor the receipt of any offers by EniChem SpA will create, with respect to EniChem SpA, any obligation or commitment to sell to any bidder and, with respect to any bidder, any right to demand any performance whatsoever by EniChem SpA (including, without limitation, the payment of any brokerage or advisory fees or expenses). EniChem SpA also reserves the right to terminate at any time and without any reason or explanation whatsoever any and all discussions regarding the possible sale of Tecnostampaggi SpA, with absolutely no liability to any third party regardless of the status or stage of such discussions.

Whilst every reasonable effort has been made to ensure that this announcement accurately reflects the Italian text of the announcement appearing on "Il Sole 24 Ore" and other Italian newspapers on September 21, 1994, in the event of any discrepancy the Italian text shall prevail.
This advertisement and the sale procedure are subject to Italian law. In case of any controversy related to the above, the Court of Milan (Italy) shall have sole jurisdiction.

EXCHANGE NOTICE
for

Republica Federativa do Brasil

USD Phase-In Series P-A-L-1 due 2004
USD Phase-In Series P-B-L-1 due 2004
USD Discount Y-L-1 due 2024
USD Phase-In Series D-L-1 due 2004

Pursuant to Section 11(a) of the Par Bond and Discount Bond Fiscal Agency Agreement Dated as of November 29, 1993 among Republica Federativa do Brasil (the "Issuer"), and The Chase Manhattan Bank (National Association), as Fiscal Agent, Authenticating Agent, Paying Agent, Registrar, Transfer Agent, Conversion Agent and Calculation Agent (the "Fiscal Agent") and Chase Manhattan Bank Luxembourg S.A., as Paying Agent and Transfer Agent (the "Fiscal Agency Agreement") (terms not defined herein are used as in the Fiscal Agency Agreement), notice is hereby given to the Bondholders that the Issuer has delivered to the Fiscal Agent a Delivery Notice, which states among other things, that it intends to exchange on October 17, 1994 the following Treatable Series of Bonds for the corresponding Resulting Series of Bonds:

Treatable Series	Resulting Series
USD Phase-In Series P-A-L-1	USD Par Series Y-L-4
USD Phase-In Series P-B-L-1	USD Par Series Z-L
USD Discount Y-L-1	USD Discount Series Z-L
USD Phase-In Series D-L-1	USD Discount Series Z-L

Interest on the Treatable Series of Bonds shall cease to accrue from the Interest Payment Date if the Bonds of such Treatable Series are exchanged for Bonds of the applicable Resulting Series pursuant to Section 11(b) and the interest due and payable thereunder is paid in full on such Interest Payment Date.

REPUBLICA FEDERATIVA DO BRASIL
By: THE CHASE MANHATTAN BANK (National Association),
Fiscal Agent
Dated: September 21, 1994

SEK

AB Svensk Exportkredit
(Swedish Export Credit Corporation)
(Incorporated in The Kingdom of Sweden with limited liability)

SKR 500,000,000
Inverse Floating Rate Notes due 1998

For the Interest Period from the 19th September, 1994 to the 17th March, 1995 the Notes will carry a Rate of Interest of 5.2490% per annum.
The Coupon Amount per SKR 10,000 Note will be SKR 524.90, per SKR 100,000 Note will be SKR 5,249.00 payable on 17th March, 1995.

Listed on the Luxembourg and Stockholm Stock Exchanges

Bankers Trust Company, London Agent Bank

FIRST NATIONAL BUILDING SOCIETY

(Incorporated and registered in Ireland under the Building Societies Act, 1989 with registered number 38)

First National Building Society

£25,000,000

Floating Rate Permanent Interest Bearing Shares (PIBS)

For the Interest Period 19th September, 1994 to 20th March, 1995 the PIBS will carry an *Interest Rate of 8.9875% per* annum. The Interest Amount per £1,000 will be £44.81 payable on the 20th March, 1995.

Listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

Bankers Trust Company, London Agent Bank

I.T.C. LIMITED
NOTICE
ADJUSTMENT TO EXERCISE PRICE OF WARRANTS

This is further to our Notice dated 20th July, 1994 advising that the issue of Bonus Shares by the Company has been approved by the Members at its Annual General Meeting held on 20th July, 1994 and that 6th October, 1994 has been fixed as the Record Date for this purpose by the Board of Directors.

NOTICE IS HEREBY GIVEN that consequent upon the bonus issue while the Warrantholders are still required to pay US$ 15.30 per Warrant exercised, the entitlement of Warrantholders for every Warrant held by them will be as follows:

a) A Warrantholder exercising the Warrant on or before 6th October, 1994 will be entitled to one Bonus Warrant GOR which will be in addition to the Warrant GOR allotted on payment of exercise price of US$ 15.30.

b) A Warrantholder exercising the Warrant after 6th October, 1994 will be required to pay US$ 15.30 and will be entitled to two Warrant GORs.

This Notice is being given in pursuance of Clause 5 read with Clause 9 of 'Terms and Conditions of Warrants' of the Offering Circular dated 13th October, 1993, read with the revised Offering Circular dated 21st December, 1993, relating to adjustment of exercise price of Warrants.

Registered Office:
I.T.C. Limited
Virginia House
37 Chowringhee
Calcutta - 700071
INDIA

I.T.C. LIMITED
R.K. SINGHI
Asst. Secretary

Dated: 12th September, 1994

Mass Transit Railway Corporation
(A corporation established by the Mass Transit Railway Corporation Ordinance of Hong Kong)

HK$3,000,000,000
(or an equivalent amount in U.S. dollars)

Medium Term Note Programme
HK$40,000,000 Floating Rate Notes due 1995

Notice is hereby given that the HIBOR applicable to the subject notes for the period from September 15, 1994 to December 15, 1994 is 4.9375 p.a.. The inclusive rate is 5.1875 p.a.. Coupon amount payable December 15, 1994 per HK$500,000 note is HK$6,466.61.

Morgan Guaranty Trust Company of New York Hong Kong
As HK Reference Agent
JPMorgan

INTERNATIONAL COMPANIES AND FINANCE

Optus plans broadband network

By Nikki Tait in Sydney

Continental Cablevision, the US cable company, Mr Kerry Packer's Nine Network, Australia's leading commercial TV company, and the smaller Seven Network are joining forces with Optus, the national telecommunications group, in a joint venture to develop a broadband cable network.

The venture will spend more than A$3bn (US$2.2bn) during the next four years.

The cable system aims to deliver local telephone calls, pay television and – by 1998 – interactive services to 50 per cent of Australian homes. The initial services, which will include pay-TV and local telephony, are expected during the third quarter of 1995.

Funding requirements for the joint venture company, to be called Optus Vision, are put at about A$2.5bn. Part will come from debt financing. Yesterday, Mr Bob Mansfield, Optus chief executive, suggested that the equity investment by the four partners could amount to A$1bn-plus during the first two years.

Optus will have a 35 per cent interest in the joint venture company, and Continental Cablevision, 30 per cent. Nine Network, which earlier this year agreed to subscribe A$318m for a 15 per cent stake in Optus, will take a 20 per cent holding. Seven Network will have 15 per cent interest.

Seven's involvement is controversial. Its chief shareholders include Mr Rupert Murdoch's News Corporation and the government-owned Telstra telecommunications group, both developing rival cable plans. The company said that its decision was in the interest of all its shareholders.

Construction of the network is due, and much of it will involve aerial, rather than underground, cabling. Optus conceded that local authorities were still being approached for permission but announced co-operative agreements with two electricity suppliers.

Optus promises to be the first network to deliver phone calls exclusively over a fibre-coaxial system. The company competes with Telstra in the long-distance market, and with Telstra and Vodaphone in the cellular phone market. Owned by several corporate and institutional shareholders, it plans to float on the stock market next year.

Nikki Tait outlines an energetic venture racing to provide a pay-TV service by the beginning of 1995

Australis pins high subscription hopes to satellite

Anyone trying to locate the Sydney headquarters of Australis Media should look out for the limos.

Australia's would-be pay-TV company recently moved to a central docklands area, and the big, smart cars parked outside look startlingly incongruous alongside terraced houses and building sites.

But few, if any, belong to Australis. Rather they are testament to a stream of American-based programming executives passing through the company's doors as it tries to get Australia's first significant pay-TV service up and running by the beginning of 1995.

There is no mistaking the energy which surrounds this effort. Employees debate technical questions in the lift. Mr Neil Gamble, chief executive, exudes confidence. The meetings seem incessant. "It's a day and night job at present," says Mr Gamble. "The time zones start in the morning with America and end in the evening with London."

But the big question is whether a new company can amass the technical, financial and marketing skills necessary to produce a saleable package in such a short time – and, simultaneously, play the complex political game which surrounds the media business in Australia. There are, after all, some formidable entrenched competitors, in the shape of Mr Kerry Packer, owner of Australia's biggest commercial TV network, and Mr Rupert Murdoch, whose News Corporation has TV and newspaper interests across three continents.

Two years ago, Australis was no more than an idea. The company began as the brainchild of Mr Stephen Cosser, a former chief executive of the Channel 10 network, and was officially incorporated in April 1993 to bold multipoint distribution systems (MDS) licences for the Sydney and Melbourne markets.

An MDS provides local distribution of a service from a central satellite receiving point to individual customers.

Interests now included within the Australis group launched Newsvision, a 24-hour news service put together for the hotel market, in June 1992. Teleitalia, an Italian language service, followed in 1993. More recently, Chinese and Arabic services have been added as more generally available programming. The subscription base for all four, however, is small.

Australis, having recruited some prominent members of Australia's business community to its board, floated on the stock market a year ago. But its profile changed dramatically in November, when it acquired one of the two commercially-available satellite licences. These allow delivery of broadcast subscription services to most of Australia via an Optus satellite – a much bigger proposition. The licences had been auctioned off by the federal government earlier in 1993, and the big existing media operators had been outbid.

Australis then strengthened its pay-TV delivery position by scooping up more MDS licences in another federal auction, held this year. Initially at least, it plans to use this mixture of satellite and MDS to get programmes into people's homes, thus obviating the need for satellite dishes at receiving premises.

But time pressures on Australis are now mounting. Australia's small population base, of about 18m people, means that the country is unlikely to sustain many pay-TV operators. Within two or three years, alternative delivery mechanisms – notably cable – will probably be widely available.

Publicly, Mr Gamble is ambivalent abont the threat. He claims, with some justification, that Australia's geography gives satellite an inherent advantage. But he adds: "Nevertheless, cable will be here, and cable is a long-term technology and we're not running it down. We *think* it is an important technology and we're going to use it – but we think that the window which [satellite] provides for us in the next couple of years is so substantial that we can have a major foothold by 1997."

Assuming, that is, Australis can get an attractive programming package into the marketplace. Setting up all the programming agreements, service facilities, financial and legal structures, is a Herculean task.

The target is a "bundled" 10-channel package, covering films, sport, news and general entertainment. "There's going to be some form of gold, silver and bronze packaging, priced accordingly. The most expensive will be the sports and first release movie channels," says Mr Gamble.

But, to date, Australis' main programming announcement has concerned sport only. A joint venture has been set up with Liberty Sports/Prime, which in turn is part of the giant TCI cable group in the US. This has acquired rights to next February's Australia/West Indies Test cricket series, the Rugby League World Cup in England later in 1995, and a solid spread of other events.

Elsewhere, by contrast, programming details remain scant – although TCI, which has an investment in Australis and a senior executive on the Australian company's board, has also entered a joint venture to develop a movie channel.

Meantime, the 10-channel bundling arrangement requires agreement between all three licence-holders – Australis (with four channels), Continental Century (four), and the Australian Broadcasting Corporation (two) – and formal approval by Australia's Trade Practices Commission.

On other fronts, there are similar signs that Australis is edging towards its goal, but still has a considerable distance to cover.

A customer service centre site has been selected in Adelaide, for example, bringing financial assistance from the South Australian authorities, but staff have yet to be recruited and trained. Agreement has also been reached for the supply of reception equipment, and 200,000 units ordered.

There is the question of money. Australis – whose institutional shareholders include the Australian Mutual Provident, Bankers Trust, J. P. Morgan, and Cigna, the US insurer – raised A$35m (US$25.7m) when it came to the stock market. It secured another A$175.5m by a share and debenture placing. But the sport venture cost has been put at up to A$50m (split 50-50 with Liberty/Prime), and the MDS licences cost A$66m. The operating loss for the 12 months to end-June was more than A$19m.

Mr Gamble's aim is to attract 1m subscribers in the first three years. "I have yet to find anyone who, once they understand what it's all about, doesn't say 'Where do I sign?'" he says. "So we think a million is reasonable. Remember, we're 10 years behind the US schedule, we're four or five years behind the UK, we're four years behind New Zealand, and we're eight years behind South Africa."

If that target is attained, Australis' chief executive predicts that the company could be profitable by "the back of the third year".

"We don't clean out all the losses, but the curve changes in year three," he says.

Jardine Strategic rises 33%

By Louise Lucas
in Hong Kong

Jardine Strategic Holdings, the holding company of the Jardine Matheson group, yesterday reported a 33 per cent increase in net profits to US$161.3m from $121.3m last year.

These are likely to be JSH's last set of results reported out of Hong Kong, as it is withdrawing its secondary listing from the colony's exchange on December 31.

The figures are after preference dividends, which came to $19.2m, but exclude an extraordinary item of $68.3m accrued in first half 1993 from the sale of an investment property by Hongkong Land. Stripping out an exceptional gain from a property sale made by Dairy Farm in the first half of this year, the year-on-year earnings rise shrinks to 19 per cent.

Mr Henry Keswick, chairman, said: "The businesses in which we hold our strategic stakes are financially strong and, with their operations based mainly in the expanding markets of the Asia-Pacific region, the outlook is for many years of further development. The full year should see higher earnings than in 1993, and the longer term perspective remains encouraging."

Earnings per share on a fully diluted basis rose 28 per cent to 20.40 cents from 15.97 cents, while directors are recommending a dividend of 4.60 cents, up 15 per cent from last year's 4.00 cents payout.

Mr Keswick said JSH was ready to acquire smaller stakes in companies with promising prospects and links, whether geographical or business, to the group.

Sasol plans polymer listing

Sasol, the South African synthetic fuels and petrochemicals group, plans to list Polifin, its new polymer joint venture with AECI, on the Johannesburg stock exchange some time next year, Reuter reports from Johannesburg.

Mr Paul Kruger, Sasol managing director, said after releasing improved annual results that between 10 and 20 per cent of Polifin's shares would be listed.

He said also that Sasol "would be prepared to come down to an equal shareholding" with AECI.

Sasol currently owns 60 per cent and AECI 40 per cent of Polifin.

"Things are going extremely well with Polifin," said Mr Johannes Stegmann, Sasol chairman, who declined to give figures.

In the year to end-June, Sasol saw income before taxation rise by 33.2 per cent to R2.45bn ($660m) from R1.84bn a year earlier on turnover 10.9 per cent ahead at R9.84bn compared with R8.88bn previously.

Attributable profit advanced 14.9 per cent to R1.5bn from R1.3 bn.

Earnings per share were up by 14.7 per cent to 264.2 cents, compared with 230.3 cents.

Suzuki, Mazda to swap products

By Kevin Done,
Motor Industry Correspondent

Suzuki and Mazda, two Japanese carmakers, have entered negotiations to exchange products, a growing trend in the Japanese motor industry, where manufacturers are under severe pressure to cut the costs of new product development.

Suzuki is considering the purchase of two-litre diesel engines from Mazda for use in its Suzuki Escudo range of four-wheel drive sports/utility vehicles. At the same time, Suzuki may supply this vehicle to Mazda for sale under the Mazda badge.

In earlier moves the loss-making Isuzu group decided to withdraw from car manufacturing to concentrate on four-wheel drive sports/utility vehicles and trucks.

It is now marketing a range of Honda cars under its own badge in Japan, while Honda is selling Isuzu sports/utility vehicles under the Honda badge in the US and Japan.

Suzuki announced earlier this month that it had agreed with Fuji Heavy Industries to supply a four-wheel drive version of its Hungarian-built Suzuki Swift small car range for sale in Europe under Fuji Heavy Industries' Subaru brand-name.

● Meanwhile, Nissan Motor, Nissan Diesel and Isuzu said they would begin supplying commercial vehicles to each other from May next year.

Nissan, which has suffered heavy losses for two years, also announced that it was to transfer 60 assembly-line workers to Nissan Diesel, its truck manufacturing affiliate, for six months from October.

Nissan has already seconded 100 workers to Fuji Heavy Industries and 250 workers to Isuzu Motors.

Nissan's domestic vehicle production fell by 19.9 per cent year-on-year in August to 96,517, the 26th successive monthly decline.

Holden Automotive ahead at A$162.6m

By Our Financial Staff

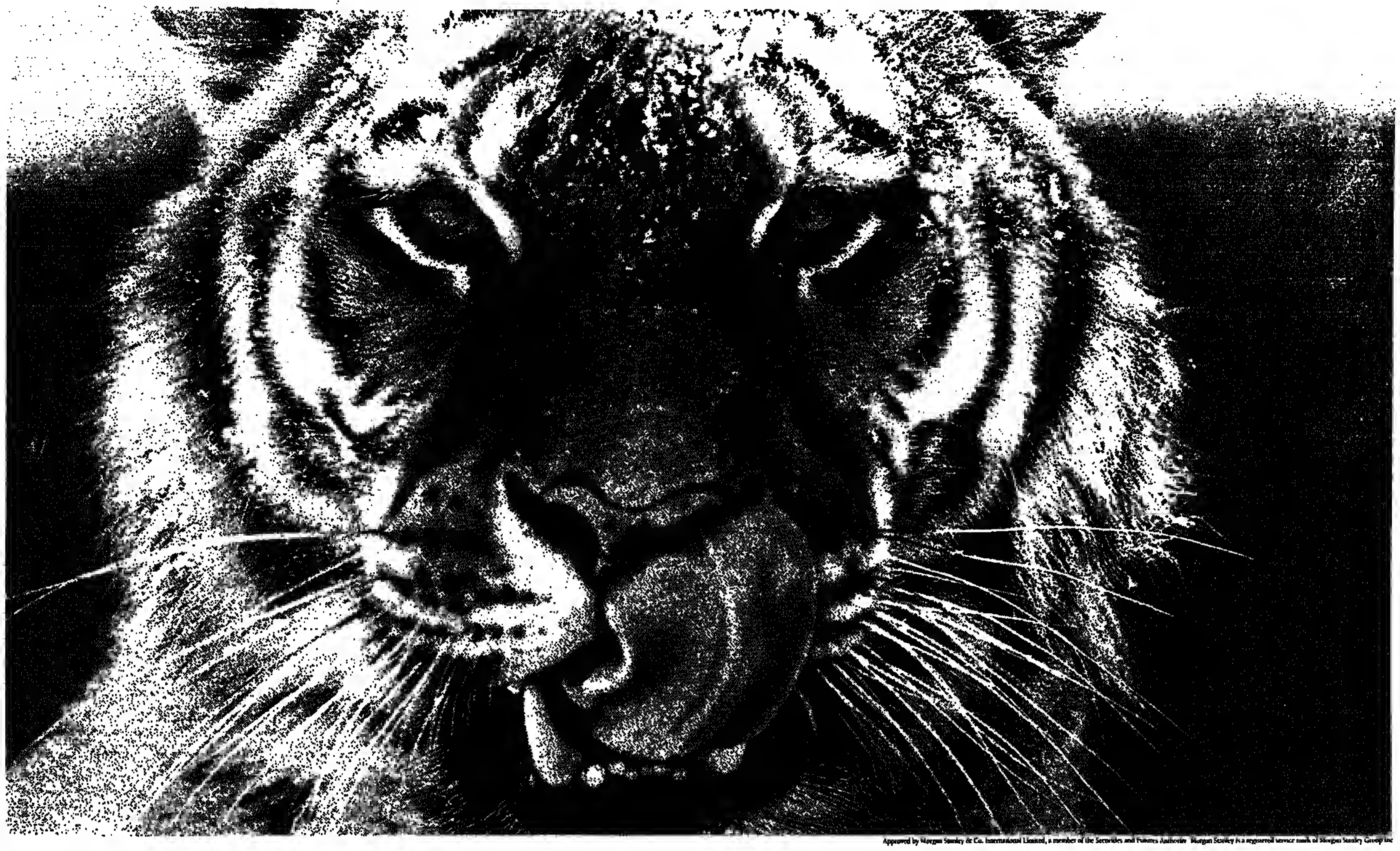
Holden Automotive, the Australian carmaker, saw net profit jump to A$162.6m (US$119.5m) in the year to June 30 from A$98.2m in 1992-93. The company said the return on sales of 6.5 per cent was the highest since 1989-90.

"A result like this doesn't come around every year but when it does, it sets a more secure platform for our future, and evens out the low spots," Mr Bill Hamel, chairman and managing director, said.

Holden is a subsidiary of United Australian Automotive Industries, owned equally by General Motors of the US and Toyota Motor of Japan.

Holden said the 1993-94 performance confirmed its confidence in Australia and in investments such as its A$150m paint facility. It also prepared the group for essential future investments. The company has said it needs an annual profit of A$100m in order to maintain its competitive position.

Revenues for the year rose to A$2.51bn from A$1.92bn a year earlier, reflecting the market acceptance of Commodore cars launched in July 1993, and a return of economic and consumer confidence. Vehicle sales grew 15.9 per cent to 109,371 in 1993-94 in a market which grew 6.6 per cent to 584,702.



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INTERNATIONAL CAPITAL MARKETS

US Treasuries retreat amid concern over dollar

By Frank McGurty in New York and Conner Middlemann in London

US Treasury bonds retreated yesterday morning amid concern over the value of the dollar and an uncertain outlook on monetary policy.

By midday, the benchmark 30-year government bond was 13/32 lower at 96 15/32, with the yield rising to 7.794 per cent. At the short end, the two-year note was down 1/16 at 99 11/16, to yield 6.404 per cent.

A combination of subtle factors served to push the market lower during a session during which no first-tier economic news was released.

Traders reported a heavy wave of selling by foreign investors concerned by the increasing likelihood that the Federal Reserve will lift short-term interest rates before November.

Many investors are expecting an early move by the Fed in the light of Friday's strong industrial production and capacity utilisation figures. The risk of tighter credit conditions appears to be persuading many of them to shift to overseas bond markets.

GOVERNMENT BONDS

Yesterday's trade data reinforced the thinking behind this strategy. The Commerce Department reported that the July deficit in goods and services had widened to $11bn, against expectations of $9.5bn.

The trend raises fresh concern over the value of the dollar, especially in advance of an upcoming round of US-Japanese trade talks. Though the dollar showed only limited weakness yesterday, a sustained sell-off in the coming weeks would make US-denominated government securities less attractive to foreign investors.

Many of them were taking no chances yesterday. Traders took advantage of the relatively steady conditions prevailing since the week began to unload more of their holdings. As a result, the yield bid on the long bond crept a little closer to the 8.00 per cent level.

■ European government bonds had another volatile day, weakening in the morning and recouping some of their losses in the afternoon.

Rumours that German August M3 money supply data, due today, would be worse than expected pressured prices across Europe. Weak US Treasuries and Far-Eastern selling ahead of the fiscal half-year-end were a further dampener.

Market sentiment remains gloomy, with dealers continuing to worry about rising European interest rates, while most end-investors remain sidelined, running defensive positions. Bond chart technicals also are negative, pointing to continued bearish sentiment.

■ The German bund market responded with cautious optimism to the Bundesbank's announcement that it would auction a 10-year floating-rate government bond next week.

The final terms of the issue, whose coupon will be linked to the three-month Frankfurt Interbank Rate (Fibor), will be set by the German bond consortium on Tuesday, when the first portion of bonds will be placed. A second tranche will be auctioned the next day.

Some observers argued that the move reflects a desperate scramble for funding alternatives by a central bank faced with a huge borrowing requirement in the final quarter.

"When governments start issuing floating-rate bonds, it looks like an act of desperation," said Mr Nigel Richardson of Yamaichi International.

"If you want to be charitable, you can call it a flexible approach to debt management, but I feel it reflects the acceptance of a very weak market," said Mr George Magnus of S.G. Warburg Securities.

However, others welcomed the move, which they said would take some of the funding burden off the long end of the yield curve. "They may not want to add to the backlog of 10-year supply, which is positive for the market and could help the [yield] curve to flatten," said one dealer.

Many dealers were confident the paper would meet strong demand from German money market funds, which became legal on August 1.

■ UK gilts had another volatile day, falling sharply in the morning but recovering in the afternoon to close only slightly weaker.

The Bank of England announced it would auction £2bn of gilts due 2005 with a coupon of 8.5 per cent next Wednesday. The stock is the first offering of next year's 10-year benchmark. The $2bn size was smaller than some expected, lending some support to the 10-year sector in the afternoon.

Much of the early pressure on gilts came from the short end of the yield curve, amid fears of further monetary tightening after last week's base rate increase. The September three-month sterling futures contract on Liffe fell 0.11 to 94.04.

Strong demand for new German funds

By Andrew Fisher in Frankfurt

German money market funds could attract investment of as much as DM50bn by the end of this year, far more than previously forecast, said Mr Martin Kohlhaussen, chief executive of Commerzbank.

The funds, which invest exclusively in short-term instruments such as commercial paper, certificates of deposit, and short-dated bonds, were first allowed in Germany from August under the latest financial markets law.

To date, around 10 banks and investment companies have announced money market funds for German investors. Other countries, such as France and the US, have had such funds for some time.

Mr Kohlhaussen said Commerzbank's own funds – based in Luxembourg until it receives regulatory approval to operate them in Germany – had already attracted more than DM7.5bn. Some of this money had simply been transferred from fixed-term deposit accounts but more than 10,000 new clients had also invested in the funds; Commerzbank said between a quarter and a third of the inflows to its two funds could be classed as new money.

The attractions of money market funds are immediate access and higher interest rates. One-month deposits in Germany currently pay around 3.5 per cent against yields of more than 4 per cent on money market funds. The forecast made by Mr Kohlhaussen includes funds based in Luxembourg and Germany.

Mr Kohlhaussen said the variety of money market funds available in Germany would increase in coming months. They would be sold by both German and foreign institutions, be aimed at private and corporate investors, and be in different currencies.

Officials of Commerzbank said its money market funds could total up to DM15bn by the year-end, with Deutsche Bank and Dresdner Bank likely to attract similar sums.

World Bank to follow $1.5bn global issue with DM offering

By Graham Bowley

The World Bank yesterday launched its long-awaited $1.5bn global offering of five-year fixed-rate bonds, priced to yield nine basis points over US government bonds.

The offering, the bank's first in the dollar market since September 1993, met firm demand, lead managers UBS and Lehman Brothers said, with 45 per cent of the deal sold in the US, 33 per cent in Europe, and 22 per cent in Asia Pacific.

The bank intends to follow up the deal with a global D-Mark issue later this year and a further dollar global offering in the first half of 1994, officials said.

"We are tentatively considering a D-Mark global offering in the DM2bn range with a five-year maturity but this depends on market conditions and we are not ruling out a 10-year bond," a bank official said. The D-Mark offering would be launched in October at the earliest.

INTERNATIONAL BONDS

The bank estimates that it will raise a total of around $10bn in the 1994-95 fiscal year, which runs to the end of June. It raised $9bn in the previous fiscal year, $1bn below its initial target.

Syndicate managers said the deal was a success. "All the bonds have not been sold, but that is the nature of the market at the moment," said one syndicate manager.

However, some syndicate managers said that many of the new bonds had been bought by investors who had sold existing bond holdings.

"There was little new money around," said one dealer. "There were some very aggressive switch trades done by underwriters rather than outright sales in order to get the new issue sold."

The spread held at 9 basis points after the syndicate had broken.

In the sterling sector, the Halifax Building Society launched a £250m three-year offering, priced to yield 30 basis points over UK government bonds.

The offering was prompted by investor demand for shorter-dated sterling bonds due to current attractive yields and a lack of comparable recent sterling issues, joint lead manager S. G. Warburg said.

The bonds were sold mainly to UK and continental European investors, the lead manager said.

Dealers said pricing on the deal was tight, but S. G. Warburg argued that bonds with a similar rating were trading at a yield spread of 22 to 24 basis points. The bonds maintained their spread after they had broken syndicate.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
World Bank	1.5bn	7.125#	99.471R	Sep.1999	0.25R	+9(6⅞%-99)	Lehman Brothers/ UBS
HACCMT I, Class A(a,s)*	670	(a1)	(a1)	Dec.1999	-	-	Goldman Sachs & Co.
Yasuda Trust Asia Pac.(b)‡	100	(b1)	102.00	Sep.2004	2.00	-	Nomura International
Bc.de la Provincia de Cordoba	60	11.00#	99.70R	Sep.1996	1.875R	+475(6¼%-96)	Yamaichi Intl.(Europe)
Banco Fibra	50	10.50#	97.04R	Sep.1997	1.00R	+497(6¼%-97)	ING Bank
YEN							
Daiwa Intl.Fin.(Cay)(c,s)*	15.5bn	(c1)	100.00	Jan.2005	undisc.	-	Nomura International
STERLING							
Halifax Building Society	250	8.75	99.34R	Oct.1997	0.20R	+30(8¼%-97)	SG Warburg Secs./ UBS
Leeds Permanent B/S‡	100	(d)	100.00	Oct.1999	undisc.	-	HSBC Markets
ITALIAN LIRE							
Republic of Argentina	300bn	13.45	99.125R	Oct.1997	0.50R	+185(8½%-97)	Cariplo
AUSTRALIAN DOLLARS							
Australian Ind.Dev.Corp.	100	9.00	100.825	Nov.1997	1.50	-	Hambros Bank
SWISS FRANCS							
L-Bank	150	5.375	102.25	Nov.1997	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Unlisted. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Household Affinity Credit Card Master Trust. Expected maturity: 15/12/97. Expected average life: 3 yrs. Monthly coupons. a1) Priced later at 35-37 over 3 yr Treasuries. b) Amortises after 3 yrs at rate linked to Libor index. b1) 3-mth Libor +½%, max 10%. c) Callable on 6/1/00 at par. c1) 5% to 6/1/00 and 5½% thereafter. d) 3-mth Libor +⅛%. s) Short 1st coupon.

Japanese deal postponed

By Emiko Terazono in Tokyo

Nippon Shinpan, a leading Japanese consumer credit company, has postponed an offering of asset-backed securities, planned for this month.

The deal would have been the first international issue by a Japanese company of tradable securities backed by domestic assets. The Japanese Ministry of Finance recently eased restrictions on issuing asset-backed securities in overseas markets.

Nippon Shinpan's Y20bn to Y30bn eurobond, backed by Japanese car loan receivables, was due to be launched by Goldman Sachs.

The company received official approval from the ministry last week, having applied a year ago, but has postponed the deal until later this year due to low demand for funds and continuing negotiations over issuance fees.

Since Mr Lloyd Bentsen, US treasury secretary, last week welcomed the finance ministry's decision to allow Nippon Shinpan's issue, adding that he hoped it would lead to broader liberalisation of the asset backed securities market in Japan.

The most likely assets for securitisation are leases, car loans and consumer credit loans.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	93.1800	-	10.10	10.00	9.40
Belgium		7.250	04/04	91.1500	+0.050	8.63	8.63	8.42
Canada *		6.500	06/04	84.4000	-0.450	8.94	8.80	8.79
Denmark		7.000	12/04	85.6500	-0.200	9.22	9.18	8.87
France	BTAN	8.000	05/98	101.2500	-0.230	7.56	7.45	7.26
	OAT	5.500	04/04	82.4700	-0.450	8.21	8.03	7.84
Germany Bund		6.750	07/04	93.5000	-0.410	7.71	7.52	7.27
Italy		8.500	04/04	81.3900	+0.590	11.81†	12.00	11.72
Japan	No 119	4.800	06/99	103.5870	-	3.91	3.92	3.92
		4.100	12/03	97.0710	+0.220	4.55	4.66	4.61
Netherlands		5.750	01/04	87.7000	-0.190	7.64	7.45	7.31
Spain		8.000	05/04	80.7000	-0.100	11.37	11.37	11.01
UK Gilts		6.000	08/99	88-30	-9/32	8.63	8.50	8.44
		6.750	11/04	85-02	-11/32	9.02	8.70	8.64
		9.000	10/08	100-07	-12/32	8.97	8.88	8.65
US Treasury *		7.250	08/04	98-03	-7/32	7.52	7.42	7.29
		7.500	11/24	96-15	-13/32	7.80	7.68	7.52
ECU (French Govt)		6.000	04/04	82.2800	-0.600	8.81	8.62	8.43

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	4.88	Two year	6.44
Prime rate	7¾	Two month	4.72	Three year	6.74
Broker loan rate	6½	Three month	4.74	Five year	7.17
Fed.funds	4 13/16	Six month	5.30	10-year	7.54
Fed.funds at intervention	-	One year	5.83	30-year	7.81

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.78	110.08	-0.72	110.79	109.84	228,780	131,506
Mar	110.10	109.36	-0.74	110.10	109.24	690	4,713
Jun	109.42	108.68	-0.74	109.68	109.42	2	360

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Dec	PUTS Mar
110	0.81	1.70	-	0.60	1.58	-
111	0.28	1.15	1.50	1.24	2.07	-
112	0.09	0.79	-	1.96	2.68	-
113	0.00	0.47	-	-	3.33	-
114	-	0.30	-	-	4.26	-

Est. vol. total, Calls 29,700 Puts 70,171 . Previous day's open int., Calls 215,190 Puts 302,771.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.52	88.08	-0.32	88.53	87.76	158470	144425
Mar	87.30	87.28	-0.32	87.30	87.10	24	1287

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
8800	0.42	1.02	1.32	1.41	0.34	0.94	1.24	2.13
8850	0.21	0.77	1.06	1.15	0.63	1.19	1.48	2.40
8900	0.09	0.58	0.83	0.96	1.01	1.50	1.75	2.70

Est. vol. total, Calls 22617 Puts 30409. Previous day's open int., Calls 201400 Puts 195666

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.80	97.83	+0.15	98.00	97.18	51089	64483
Mar	-	97.23	+0.20	-	-	0	640

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
9750	2.33	3.27	2.00	3.54
9800	2.06	3.04	2.23	3.81
9850	1.79	2.82	2.46	4.09

Est. vol. total, Calls 969 Puts 1240. Previous day's open int., Calls 10655 Puts 14574

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	85.15	84.93	-0.17	85.20	84.65	37,140	69,751

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99-00	98-28	-0-07	99-00	98-14	110	16460
Dec	98-15	98-03	-0-08	98-17	97-14	82837	97363
Mar	-	97-15	-0-08	-	-	0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
98	2-01	2-42	1-60	3-12
99	1-33	2-18	2-27	3-49
100	1-08	1-55	3-00	4-25

Est. vol. total, Calls 4205 Puts 5016. Previous day's open int., Calls 44201 Puts 29636

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	79.30	78.96	-0.48	79.30	78.80	1,850	7,638
Mar	78.38	78.46	-	78.38	78.38	1	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	100-15	99-25	-0-25	100-15	99-22	23,098	72,581
Dec	99-19	98-26	-0-25	99-21	98-26	195,700	379,772
Mar	98-28	98-07	-0-24	98-28	98-04	760	10,373

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.12	-	-	108.35	108.07	2476	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Sep 20	Day's change %	Mon Sep 19	Accrued interest	xd adj. ytd		Low coupon yield Sep 20	Sep 19	Yr. ago	Medium coupon yield Sep 20	Sep 19	Yr. ago	High coupon yield Sep 20	Sep 19	Yr. ago
1 Up to 5 years (24)	118.79	-0.25	119.21	1.81	6.13	5 yrs	8.85	8.85	6.36	9.01	8.92	6.64	9.16	9.08	6.84
2 5-15 years (21)	135.36	-0.45	135.98	1.58	9.88	15 yrs	8.89	8.82	7.21	9.05	8.97	7.34	9.25	9.18	7.58
3 Over 15 years (9)	150.36	-0.61	151.28	1.54	9.61	20 yrs	8.81	8.73	7.32	9.05	8.97	7.39	9.09	9.02	7.60
4 Irredeemables (6)	171.57	-1.15	173.58	3.02	8.83	Irred.†	8.88	8.76	7.45						
5 All stocks (60)	133.57	-0.42	134.18	1.70	9.32										
Index-linked							Inflation 5% Sep 20	Sep 19	Yr. ago	Inflation 10% Sep 20	Sep 19	Yr. ago			
6 Up to 5 years (2)	183.92	-0.20	185.41	-0.18	5.07	Up to 5 yrs	4.10	3.99	2.61	2.93	2.82	1.77			
7 Over 5 years (11)	170.06	-0.51	170.93	0.64	3.95	Over 5 yrs	3.96	3.92	3.23	3.78	3.72	3.04			
8 All stocks (13)	170.62	-0.48	171.55	0.55	4.04										
Debentures and Loans							5 year yield Sep 20	Sep 19	Yr. ago	15 year yield Sep 20	Sep 19	Yr. ago	25 year yield Sep 20	Sep 19	Yr. ago
9 Debs & Loans (76)	124.28	-1.08	125.64	2.51	7.88		10.07	9.92	7.96	9.98	9.84	8.24	9.90	9.78	8.36

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 20	Sep 19	Sep 16	Sep 15	Sep 14	Yr ago	High*	Low*
Govt. Secs. (UK)	89.54	90.22	89.99	90.76	90.44	101.38	107.04	89.54
Fixed Interest	106.73	106.85	107.30	107.31	107.83	122.86	133.87	106.73

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 19	Sep 16	Sep 15	Sep 14	Sep 13
Gilt Edged bargains	103.2	108.7	90.4	83.7	111.5
5-day average	97.5	94.4	95.1	99.2	98.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 20

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	90	90¼	-¼	8.15
Alberta Province 7⅞ 96	1000	100⅞	101	-⅛	7.40
Austria 8½ 00	400	103⅞	104¼	-¼	7.58
Bank of Tokyo 8⅜ 00	100	101⅞	102½	-⅛	6.98
Belgium 5½ 03	1000	83⅝	83⅞	-¼	8.10
BFCE 7¾ 97	150	101⅜	102		6.98
British Gas 0 21	1500	10⅜	10½	-⅛	8.51
Canada 9 99	1000	109¼	109½	-⅛	6.80
Cheung Kong Fin 5½ 98	500	90⅝	90¾	-⅛	8.68
China 6½ 04	1000	86⅝	87¼		8.79
Council Europe 8 98	100	102	102½	-⅛	6.81
Credit Foncier 9½ 99	300	107⅜	107⅞		7.49
Denmark 5¾ 98	1000	96	96⅜	-⅛	7.09
East Japan Railway 6⅝ 04	600	89⅞	90¼	-⅛	8.19
ECSC 8¼ 00	193	102⅞	103	-⅛	6.96
EEC 8¼ 96	100	102½	102⅞		6.86
EIB 7¼ 00	250	101⅜	102⅛	-⅛	6.89
EIB 9¼ 97	1000	105⅞	106¼	-⅛	7.09
Elec de France 9 98	200	104⅞	105¼	-⅛	7.34
Eurofima 9¼ 96	100	103½	103⅞	-⅛	6.69
Ex-Im Bank Japan 8 02	500	100½	100⅞	-¼	7.90
Export Dev Corp 9½ 99	150	106⅝	107⅛	-¼	7.43
Federal Natl Mort 7.40 04	1500	97¼	97½	-¼	7.96
Finland 6¾ 97	3000	98⅞	99⅛	-⅛	7.28
Finnish Export 9½ 95	200	103¼	103⅝		6.32
Ford Motor Credit 6¼ 98	1500	96⅝	97	-⅛	7.51
Gen Elec Capital 9⅝ 96	600	104	104⅜	-⅛	6.79
GMAC 9¼ 00	200	102⅞	103⅛		7.05
Ind Bk Japan Fin 7⅞ 97	200	101	101⅝	-⅛	7.40
Inter Amer Dev 7¼ 03	200	101⅜	102		6.71
Italy 6⅞ 23	3000	79½	79¾	-¼	9.04
Japan Dev Bk 8⅞ 01	600	102⅞	103⅛	-⅛	7.77
Kansai Elec Pwr 10 98	350	104⅝	104⅞		6.66
Korea Elec Power 6⅜ 00	1350	88½	88¾	-⅛	8.88
LTCB Fin 8 97	200	101¼	101⅞	-⅛	7.36
Matsushita Elec 7¼ 02	1000	95⅞	96¼	-¼	8.12
Norway 7¼ 97	1000	100¾	101	-¼	6.90
Ontario 7⅜ 03	3000	95⅞	96¼	-¼	8.22
Oster Kontrollbank 8½ 01	200	103⅝	104	-¼	7.75
Petro-Canada 7¼ 96	200	100⅝	101⅛	-⅛	6.80
Portugal 5¾ 03	1000	85⅝	85⅞	-⅛	8.22
Quebec Hydro 9¾ 98	150	106½	107	-⅛	7.80
Quebec Prov 9 98	200	103¾	104¼	-¼	7.72
Sainsbury 9⅛ 95	150	103⅞	104¼	-⅛	7.07
SAS 10 99	200	105⅝	106⅛	-⅛	8.40
SNCF 9½ 98	150	106⅞	107¼	-⅛	7.36
Spain 6½ 99	1500	96	96¼	-⅛	7.48
State Bk NSW 8½ 00	200	102⅝	103		6.95
Sweden 5½ 95	2500	99	99¼	-⅛	6.37
Swedish Export 8½ 95	700	102⅜	102⅝	-⅛	6.57
Tokyo Elec Power 6⅛ 03	1000	88	88¼	-⅛	8.07
Tokyo Metropolis 8¼ 96	200	102⅝	103	-⅛	6.67
Toyota Motor 5⅝ 98	1500	95⅜	95⅝	-⅛	7.15
United Kingdom 7¼ 02	3000	95⅝	95⅞	-¼	7.81
World Bank 8⅜ 99	1500	104½	104¾	-⅛	7.42
World Bank 8⅝ 97	1500	104½	104¾	-⅛	6.63
United Kingdom 7¼ 97	5500	100⅝	100⅞	-⅛	6.89
Volkswagen Intl Fin 7 03	1000	93½	94¼	-⅛	8.06
World Bank 0 15	2000	19½	19⅞	+⅛	8.00
World Bank 5⅞ 03	3000	87⅛	87½	-¼	7.85
World Bank 8⅝ 00	1250	106⅞	107¼	-1	7.19
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	79¾	80	-¼	8.37
Credit Foncier 7¼ 03	2000	95⅝	95¾	-⅛	7.97
Denmark 6⅛ 98	2000	97¼	97½	-⅛	7.00
Depfa Finance 6¾ 03	1500	89⅞	90	-⅛	7.89
Deutsche Bk Fin 7½ 03	2000	96⅞	97⅛		8.01
EEC 6½ 00	2900	95¾	96⅛	-⅛	7.46
EIB 6¼ 00	1500	94⅞	95¼	-⅛	7.40
Finland 7½ 00	3000	99⅜	99⅝	-⅛	7.60
Italy 7¼ 98	5000	100	100¼	-⅛	7.23
LKB Baden-Wuert 6½ 98	2250	89¼	89⅝	-⅛	8.18
Norway 6⅛ 98	1500	97¼	97⅝	-⅛	6.83
Ontario 6¼ 04	1500	88	88⅜	-⅛	8.13
Spain 7¼ 03	4000	95⅞	96		7.93
Sweden 8 97	2500	102⅛	102½	-⅛	7.21
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	100	100		6.00
Austria 4½ 00	1000	95⅝	95⅞	-¼	5.23
Council Europe 4¾ 98	250	99½	99¾	+¼	4.90
Denmark 4¼ 99	1000	95¼	95¾	-¼	5.23
EIB 6¾ 04	300	106	106	-½	5.94
Elec de France 7¼ 00	100	108	108		6.24
Finland 7¼ 98	300	108½	108½		5.73
Hyundai Motor Fin 8½ 97	100	107	107		5.87
Iceland 7⅜ 00	100	108	108		5.86
Kobe 6⅜ 01	240	103¼	103¼		5.78
Ontario 6¼ 03	400				
Quebec Hydro 5 08	100	85¾	85¾		6.62
SNCF 7 04	450	107⅛	107⅛	+⅛	6.08
World Bank 5 03	150	96	96	+¼	5.56
World Bank 7 01	600	107	107		5.67
YEN STRAIGHTS					
Belgium 5 98	75000	102¾	103	+⅛	4.40
EIB 6⅝ 00	100000	110⅝	110⅞	+⅛	4.44
Finland 6¾ 96	50000	105⅛	105⅜	+⅛	3.21
Inter Amer Dev 7¼ 00	30000	113½	113¾	+¼	4.40
Italy 3½ 01	300000	92⅞	93⅛	+⅛	4.80
Japan Dev Bk 5 00	100000	103⅛	103⅜	+⅛	4.30
Japan Dev Bk 6½ 01	120000	111	111⅛	+¼	4.62
Nippon Tel Tel 5⅞ 98	50000	104⅞	105⅛	+⅛	3.33
Norway 5⅜ 97	150000	104⅜	104½	+⅛	3.44
SNCF 6⅜ 00	30000	110¾	111	+¼	4.47
Spain 5¼ 02	125000	103⅝	103⅞	+⅛	4.68
Sweden 4⅝ 98	150000	101½	101¾		4.13
World Bank 5¼ 02	250000	104	104⅛	+¼	4.57
OTHER STRAIGHTS					
Gerfinance Lux 9⅛ 99 LFr	1000	105¾	106¾		7.57
IKB Deut Industbk 8½ 03 LFr	3000	100	101		8.40
World Bank 8 99 LFr	1000	100½	101½		7.61
ABN Amro 6⅝ 00 Fl	1000				
Bank Ned Gemeenten 7 03 Fl	1500				
AlbertaProvince 10⅞ 96 C$	500	103⅞	104	-⅛	7.72
Bell Canada 10⅝ 99 C$	150	105	105⅝	-¼	9.27
British Columbia 10 96 C$	500	103⅛	103½		7.92
EIB 10⅛ 00 C$	130	105⅛	105⅝	-¼	9.25
Elec de France 9¾ 99 C$	275	103¼	103¾	-¼	8.91
Gen Elec Capital 10 96 C$	300	102⅞	103⅛	-⅛	8.09
KfW Int Fin 10 01 C$	400	103⅜	103⅞	-⅛	9.26
Nippon Tel Tel 10¼ 99 C$	200	104⅞	105⅛	-⅛	9.00
Ontario 8 03 C$	1600	92¼	92½	-¼	9.57
Ontario Hydro 10⅞ 99 C$	500	106⅜	106¾	-¼	9.00
Oster Kontrollbank 10¼ 99 C$	198	104⅝	105¼	-½	9.02
Quebec Prov 10½ 99 C$	200	104⅜	104⅞	-1	9.18
Belgium 9¼ 99 Ecu	1250	102⅛	102⅜		7.51
Council Europe 8 01 Ecu	1100	100½	101	-⅛	8.89
Credit Lyonnais 9 96 Ecu	125	101⅞	102		8.02
EIB 10 97 Ecu	1125	104	104⅜	-⅛	8.06
Ferro del Stat 10⅛ 98 Ecu	500	104¼	104¾	-⅛	8.58
Italy 10¾ 00 Ecu	1000	107⅞	108⅜	-⅛	8.97
Spain 9 96 Ecu	1000	102	102¼		7.63
United Kingdom 9⅛ 01 Ecu	2750	101¾	102	-⅛	8.74
AIDC 10 99 A$	100	101¼	101¾	-⅛	9.84
Comm Bk Australia 13¾ 99 A$	100	114¼	114⅝	-⅛	9.90
EIB 7¾ 99 A$	350	95⅛	95½	-⅛	9.19
NSW Treasury Zero 0 20 A$	1000	7½	7⅞	-⅛	10.40
R & I Bank 7¾ 03 A$	125	86	86½	+⅛	10.24
State Bk NSW 9 02 A$	300	92¼	92¾	-½	10.46
Sth Aust Govt Fin 9 02 A$	150	91⅞	92¼	-¼	10.55
Unilever Australia 12 98 A$	150	106⅞	107¼	-⅛	9.86
WESTERN AUST TREASURY 7⅞ 98 A$	100	94⅞	95¼		9.32
Abbey Natl Treasury 8 03 £	1000	89¼	89½	-⅛	9.91
Alliance Leics 11⅞ 97 £	100	105¼	105½	-⅛	9.00
British Land 8⅞ 23 £	150	84⅞	85⅝	-1¼	10.63
Denmark 6¾ 00 £	800	92¼	92⅝	-¼	8.18
EIB 10 97 £	837	102⅝	102⅞	-⅛	8.86
Halifax 10⅞ 97 £	100	103¾	103⅞	-¼	8.79
Hanson 10⅜ 97 £	500	102⅝	103¼	-⅛	9.34
HSBC Holdings 11.69 02 £	153	106⅝	107⅛	-⅜	10.40
Italy 10½ 14 £	400	103⅞	104½	-½	10.03
Japan Dev Bk 7 00 £	200	90¼	90½	-⅛	9.18
Land Secs 9½ 07 £	200	95⅜	95⅝	+⅛	9.97
Ontario 11⅛ 01 £	100	105⅞	106¼	-⅛	9.82
Powergen 8⅞ 03 £	250	94⅛	94⅝	-⅛	9.91
Severn Trent 11½ 99 £	150	107	107⅜	-⅛	9.59
Tokyo Elec Power 11 01 £	150	108	108⅜	-¼	9.72
Abbey National 0 96 NZ$	199	82⅞	83⅜	-⅜	9.65
TCNZ Fin 9¼ 02 NZ$	75	94⅝	95⅛	-1⅛	10.32
Credit Local 6 01 FFr	7000	88½	88⅝	-¼	8.18
Elec de France 8¾ 22 FFr	3000	97⅝	98⅛	-⅜	8.98
SNCF 9¼ 97 FFr	4000	104	104¼		7.44

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.34	99.42	4.9375
Banco Roma 0 00	200	99.87	100.03	4.7812
Belgium ⅛ 97 DM	500	100.13	100.23	5.1250
BFCE -0.02 00	350	99.74	99.87	4.7300
Britannia 0.10 96 £	150	99.93	100.03	5.4125
Canada -⅛ 99	2000	99.14	99.21	4.6250
CCCE 0 96 Ecu	200	98.97	99.20	5.8239
Credit Lyonnais 1/16 00	500	97.71	98.26	5.3125
Denmark -⅛ 96	1000	99.57	99.69	5.0625
Dresdner Finance 1/16 00 DM	1000	99.98	100.08	5.0968
Ferro del Stat 0.10 97	420	100.00	100.17	4.9125
Finland 0 97	1000	99.95	100.04	5.3750
Ireland 0 03	500	99.64	99.78	4.8600
Italy ¼ 98	2000	100.12	100.19	5.0000
LKB Baden-Wuert Fin -⅛ 98	1000	99.43	99.52	4.5025
Lloyds Bank Perp S 0.10	600	83.10	84.30	5.4125
Malaysia 1/16 98	500	99.42	99.76	5.2500
New Zealand -⅛ 99	1000	99.87	99.96	4.8125
Ontario 0 99	2000	99.40	99.47	4.9375
Renfe 0 99	500	99.36	99.55	5.1250
Societe Generale 0 96	300	99.59	99.79	5.3750
Staatsbank Berlin -0.05 98 DM	3000	99.94	99.99	4.9500
State Bk Victoria 0.05 99	125	99.61	99.81	5.1125
Sweden 0 98	1500	99.85	99.93	5.0000
Sweden -⅛ 01	2000	99.67	99.76	4.6250
United Kingdom -⅛ 96	4000	99.79	99.84	4.5000

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	32½	98⅛	99½	+33.50
Chubb Capital 6 98	250	88	100⅞	101¾	+22.40
Gold Kalgoorlie 7½ 00	65	1.0554	113¾	114½	+81.20
Hanson 9½ 06 £	500	2.5875	103	107	+12.98
Hanson America 2.39 01	1000		74⅛	75	
Hawley Pref 8 02	400	18.1	70	75	+98.65
Land Secs 6¾ 02 £	84	6.72	96	98	+6.80
Lasmo 7¾ 05 £	90	5.64	81¾	83¼	
Mitsui Bank 2⅝ 03	200	2332.6	85½	87½	+15.82
Mount Isa Fin 6½ 97	100	2.283	103	105⅝	+5.72
Natl Power 6¼ 08 £	250	4.33	115⅝	118⅛	+6.17
Ogden 6 02	85	39.077	87⅞	89⅝	+58.08
Pennzoil 4¾ 03	500	58.8097	89½	90½	+27.98
Sumitomo Bank 3¼ 04	300	3606.9	77¾	79	+18.64
Sun Alliance 7¼ 08 £	155	3.9	96¼	97⅛	+18.22
Tesco Capital 9 05 £	200	2.51	115⅛	116⅝	+15.38
Texas Instruments 2¾ 02	300	82⅞	88¼	89¾	+7.38

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas 9pc 1994‡‡		8.98	5.56	100½	-1/32	103 13/32	100½
12pc 1995		11.76	5.83	102	-1/16	107 7/32	102
Exch 3pc Gas 1990-95		3.05	5.80	98⅜	—	98⅜	97¾
10¼pc 1995		9.98	6.84	102 23/32	-1/32	107 23/32	102 23/32
Treas 12¾pc 1995‡‡		12.04	7.24	105 11/32	-⅛	113⅝	105 11/32
14pc 1996		12.96	7.50	108 1/16	-1/16	117 3/16	108 1/16
15¼pc 1996‡‡		13.72	7.78	111⅛	-3/16	121 13/16	111⅛
Exch 13¼pc 1996‡‡		12.25	7.88	108⅛	-3/16	117 23/32	108⅛
Conversion 10pc 1996		9.58	8.14	103 7/16	-⅛	112 3/16	103 7/16
Treas Cnv 7pc 1997‡‡		7.24	8.29	96⅝	-1/16	100⅝	96⅝
Treas 13¼pc 1997‡‡		12.02	8.31	110 7/16	-⅛	121 21/32	110 7/16
Exch 10½pc 1997		10.05	8.34	104½	-⅛	114 5/16	104½
Treas 8¾pc 1997‡‡		8.70	8.51	100 9/16	-⅛	110 7/16	100 9/16
Exch 15pc 1997		12.84	8.70	116 23/32xd	-⅛	131 13/32	116 23/32
9¾pc 1998		9.49	8.74	102 23/32	-3/16	114 13/32	102 23/32
Treas 7¼pc 1998‡‡		7.58	8.70	95 21/32xd	-⅛	106 5/16	95⅝
Treas 6¾pc 1995-98‡‡		7.19	8.72	93 27/32	-⅛	102	93 27/32
14pc 1998-1		12.13	8.92	115 13/32	-⅛	131 1/16	115 13/32
Treas 15½pc '98‡‡		12.67	8.77	122 9/32xd	-15/32	140 3/16	122 9/32
Exch 12pc 1998		10.88	8.92	110 5/16	-15/32	125 13/32	110 5/16
Treas 9½pc 1999‡‡		9.32	8.90	101 29/32	-⅛	116 5/16	101 29/32
Five to Fifteen Years							
Exch 12¼pc 1999		10.96	8.98	111 23/32xd	-15/32	128 7/16	111 23/32
Treas 10½pc 1999		9.95	8.95	105 7/16	-½	121 3/16	105 7/16
Treas 6pc 1999 ‡‡		6.78	8.83	88 17/32	-7/16	101 23/32	88 17/32
Conversion 10¼pc 1999		9.78	9.00	104 25/32	-½	121 13/32	104 25/32
Treas Flg Rate 1999		-	-	99 27/32	—	100 1/16	99 27/32
9pc 2000‡‡		9.01	8.98	99 27/32	-15/32	116 7/16	99⅞
Treas 13pc 2000		11.14	9.16	116 23/32	-15/32	138 23/32	116 23/32
10pc 2001		9.68	9.19	103½	-½	122 3/16	103½
7pc 2001 ‡‡		7.85	9.07	89 5/32	-½	106 5/16	89 5/32
7pc 2001 A		7.85	9.06	89¼	-15/32	101 3/16	89 5/32
9¾pc 2002		9.49	9.24	102 23/32	-15/32	123 3/16	102 23/32
8pc 2003‡‡		8.59	9.13	93⅛	-15/32	113 13/32	92⅞
10pc 2003		9.56	9.20	104 19/32	-15/32	127 3/16	104½
Treas 11½pc 2001-4		10.46	9.40	109 29/32xd	-15/32	129 11/32	109 13/32
Funding 3½pc 1999-4		5.00	8.01	70	-¼	86 3/16	69¾
Conversion 9½pc 2004		9.31	9.16	102 3/32xd	-15/32	125 1/16	101 15/16
Treas 6¾pc 2004‡‡		7.95	9.03	84⅞	-½	105⅛	84 13/32
Conv 9½pc 2005		9.28	9.13	102⅜xd	-15/32	125½	102⅛
Treas 12½pc 2003-5		10.56	9.44	118 13/32	-15/32	143 1/16	118⅛
7¾pc 2006‡‡		8.58	9.04	90 5/16	-½	112 23/32	90⅜
8pc 2002-6‡‡		8.70	9.12	92 5/32	-½	111⅛	91 13/32
Treas 11¾pc 2003-7		10.40	9.43	112 31/32	-3/16	136 1/16	112⅛
Treas 8½pc 2007 ‡‡		8.86	9.01	95 21/32	-⅝	119 3/16	95 21/32
13½pc 2004-8		10.78	9.44	125 3/16xd	-15/32	151 3/16	124 15/32
Treas 9pc 2008 ‡‡		9.00	8.98	100 1/32xd	-15/32	124 15/32	99 23/32
Over Fifteen Years							
Treas 8pc 2009		8.69	8.97	92 1/32xd	-½	115 3/16	91 13/32
Treas 6 1/4pc 2010		7.99	8.79	78 3/16	-7/16	98 7/16	77 13/32
Conv 9pc Ln 2011 ‡‡		8.94	8.90	100 21/32	-15/32	126 21/32	100 13/32
Treas 9pc 2012‡‡		8.93	8.89	100 25/32	-15/32	127⅝	100⅝
Treas 5½pc 2008-12‡‡		7.70	8.64	71 13/32	-15/32	93⅞	71¼
Treas 8pc 2013‡‡		8.98	8.84	92 7/32xd	-15/32	117 23/32	92
7¾pc 2012-15‡‡		8.82	8.82	88⅞	-15/32	114¼	88 13/32
Treas 8¾pc 2017‡‡		8.82	8.81	99¼	-15/32	126¾	98 13/32
Exch 12pc 2013-17		9.49	9.05	126½	-¼	159½	126 3/16
Undated							
Consols 4pc		8.98	-	44⅝	-¼	59¼	44 13/32
War Loan 3½pc‡‡		8.83	-	39 21/32	-15/32	54 13/32	39 21/32
Conv 3½pc '61 Aft		6.26	-	55 13/32xd	-⅛	71	55¼
Treas 3pc '66 Aft		8.96	-	33 15/32xd	—	44⅝	33 15/32
Consols 2½pc		8.83	-	28 5/16xd	-⅛	39½	28 3/16
Treas. 2½pc		9.04	-	27 21/32xd	-3/16	37⅝	27 21/32

Index-Linked	Notes (b)	Yield (1)	Yield (2)	Price £	+ or -	1994 High	1994 Low
2pc '96	(67.9)	2.86	4.24	196 3/16	-⅛	203⅝	197 11/32
4⅝pc '98‡‡	(135.6)	2.97	3.81	109 13/32xd	-⅛	113 3/16	106 1/16
2½pc '01	(78.3)	3.49	3.92	164xd	-⅛	178⅞	163½
2½pc '03	(78.8)	3.58	3.94	159 9/32	-⅛	173⅝	158 3/16
4⅝pc '04‡‡	(135.6)	3.80	3.93	107⅜xd	-⅛	116⅛	107⅛
2pc '06	(69.5)	3.86	3.92	165⅛	-⅛	184 11/32	165 3/16
2½pc '09	(78.8)	3.71	3.94	150⅞	-⅛	168 3/16	149⅞
2½pc '11	(74.6)	3.74	3.94	155 1/16	-⅛	175⅝	154⅞
2½pc '13	(89.2)	3.77	3.96	127 1/16	-⅛	148⅝	126⅝
2½pc '16	(81.6)	3.80	3.97	135¼	-⅛	157 3/16	134⅞
2½pc '20	(83.0)	3.83	3.98	129⅛xd	-⅛	152 13/32	128½
2½pc '24‡‡	(97.7)	3.82	3.96	107 1/16	-⅛	129⅝	106⅞
4⅛pc '30‡‡	(135.1)	3.86	4.01	106⅝	-⅛	128 13/32	105⅞

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1994: 141.3 and for August 1994: 144.7.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
African Dev 11¼ 2010		9.78	9.33	114⅞	-¼	142⅞	114⅞
Asian Dev 10¼pc 2009		9.56	9.22	107⅛	-¼	136⅝	107⅛
B'ham 11½pc 2012		9.87	9.56	116⅝	—	142	115
Ireland Cap 8½pc '10		9.09	-	93½	—	116¼	93½
9pc Cap 1996		9.01	-	99⅞	—	103½	99⅞
13pc '97-2		12.28	-	106	-¼	115⅞	106
Hydro Quebec 15pc 2011		10.88	10.21	137 13/16	-15/32	189 13/16	137 13/16
Leeds 13½pc 2006		10.67	-	126½	—	149⅞	125½
Liverpool 3½pc Irred		9.59	-	36½	—	44¼	33¼
LCC 3pc '20 Aft		9.38	-	32	—	40½	28¼
Manchester 11½pc 2007		10.13	9.70	118⅛	—	138¼	112
Met. Wtr. 3pc 'B'		4.44	8.30	67½	—	70	66½
N'wide Anglia 3¾pc 2021		-	4.52	131½	—	150⅛	129⅞
4⅛pc IL 2024		-	4.50	126⅞	—	145⅞	126⅞
Utd Mex States 16½pc 2008		12.13	-	136	—	169½	134⅞

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

COMPANY NEWS: UK

Personnel recruitment in the UK and Australia give profit boost

Hays expands to £87.8m

By Andrew Bolger

A sharp rebound in profits from personnel recruitment agencies helped Hays, the business services group, increase pre-tax profits by 32 per cent, from £66.6m to £87.8m, in the year to June 30.

Operating profits from the personnel division, which mainly supplies accountancy staff, jumped from £6.7m to £16.4m as continuing economic recovery in the UK and Australia brought increasing demand for staff, said Mr Ronnie Frost, executive chairman.

Hays' biggest business sector, distribution, increased operating profits by 29 per cent to £49.1m, helped by a strong performance on Continental Europe.

The group said that Fril, the French distribution company it bought in 1992, increased profits substantially in spite of the background of the continuing recession in France. It had also won a number of new contracts with food retailers and manufacturers.

Mordhorst, the German distributor acquired last year, exceeded expectations in "very competitive" trading conditions. Group operating profits from Continental Europe more than doubled, from £8.3m to £17.4m.

Lydia van der Meer

Ronnie Frost: celebrating better than expected results

In the UK both the dedicated distribution and specialist distribution divisions increased their profits. Network distribution – the multi-user arms which serves manufacturers – made especially strong progress. New contracts with a total annual sales value of £20m had been won.

The bulk products division of chemical distribution saw a decline in profits as the worldwide pressure on caustic soda prices continued throughout the year. Both the packaged products and specialist chemicals divisions increased profits substantially. The group's commercial businesses increased operating profits by 13 per cent to £27.3m.

Earnings per share rose by 28 per cent to 14.7p (11.5p). A final dividend of 4.15p gives a total for the year of 6.1p (5.3p), an increase of 15 per cent.

● **COMMENT**

These better than expected results were an impressive way to mark what is nearly the fifth anniversary of Hays' flotation - a period that has seen the group's market value nearly treble, in spite of a recession which damaged the reputation of many other business services and logistics companies. The bounce in profits from personnel caught the eye, but the strong performance by the core distribution activities was less predictable. Although spending £100m on acquisitions and capital expenditure has pushed up gearing from 13 to 44 per cent, strong cash generation means the group still has scope to make further acquisitions, particularly in Europe. Forecast profits of £105m put the shares, up 6p yesterday to 287p, on a prospective multiple of 16.4 - a 15 per cent premium to the market. That does not seem unreasonable for shares that have outperformed the FT-A All Share Index by 91 per cent since flotation.

Servisair forecasts 31% increase to £4.2m

By Simon Davies

Pre-tax profits at Servisair, Europe's largest independent ground handling company, are forecast to increase by 31 per cent to £4.2m in 1994, the company revealed in its pathfinder prospectus.

Profits growth will be aided by the March 1994 acquisition of Ogden Aviation Services, although this will result in £1.4m of reorganisation costs, taken as an exceptional item. The management is confident that substantial cost benefits will follow next year.

The company is expected to raise £9.5m from the sale of new shares from the placing and intermediaries offer, while its parent, Securum, will sell 60 per cent of its stake. The company will be valued at close to £60m.

Servisair has been benefiting from an expected 6 per cent increase in passenger throughput in the UK this year as it operates in all the country's main airports, with the exception of Heathrow.

Servisair accounted for around 37 per cent of passenger traffic within its network of 22 UK airports, and is confident of increasing its presence as airlines pass on peripheral services.

Profit margins on aircraft handling are extremely low. Servisair achieved operating profit margins of around 4 per cent in 1993, making it unattractive for operators lacking critical mass.

In addition, British Airports Authority has started to devolve some of its monopoly operations, such as baggage handling, and a limited number of independent companies are competing for the contracts.

Servisair also plans to compete for contracts in Europe. In Spain, the government has committed to opening up 16 airports to competition, and other countries are likely to follow.

The prospectus is expected to be published on October 5 and dealings should commence on October 18. The sponsor is Barclays de Zoete Wedd.

Travis Perkins confirms recovery with 83% leap

By Christopher Price

Travis Perkins yesterday confirmed the recovery in the building materials market, with an 83 per cent advance in pre-tax profits from £9.31m to £17.06m for the first half of 1994.

The figure included £1.77m from property sales and a three-month contribution from AAH builders merchants – which Travis paid £41.8m for in March – worth £1.61m at the operating level. AAH also added just over £23m to total turnover, which increased 29 per cent to £215.6m (£166.8m).

Earnings per share jumped 89 per cent to 11.2p (5.9p). The interim dividend was raised 12 per cent to 2.8p (2.5p).

Mr Tony Travis, chairman, said that the AAH deal had moved the company from seventh to joint-second place among UK builders materials groups, which had enabled it to benefit from economies of scale.

Net operating margins at the new subsidiary had been doubled, while for the group as a whole they rose from 5.4 per cent to 7 per cent.

Price rises in the materials business had been successfully passed on to customers, with Mr Travis putting inflation in the industry at about 7 per cent.

Although the housing market was showing only moderate signs of recovery, sales to the repair and maintenance side of the business – about 70 per cent of Travis's turnover – had improved markedly. London and the south-east were proving stronger than the group's other operating centres.

Mr Travis said that the company's aim was to increase its present UK market share of some 6.5 per cent to 9 per cent. "A small amount of this will be achieved through organic growth, but most of it realistically will be through acquisitions," although he added that the company was currently interested only in "bedding down" AAH, rather than make fresh purchases.

● **COMMENT**

Travis' solid record of controlling costs and focusing on the bottom line has worked its way through to AAH's margins. The main part of the business has reported margins at the top end of the industry range. The company is better geographically spread than before and also has the benefit of being well placed in the recovery cycle. Full-year profit forecasts were being ratcheted up an average 15 per cent to about £33m on yesterday's performance, giving prospective earnings per share of above 21 times and a prospective p/e of 13 times. This is slightly below the sector average and compares well with competitors Wolseley (currently on about 15 times) and Meyer International (about 13.5 times).

Bryant jumps 99% after completions surge in north

By Caroline Southey

A surge in completions in the north of England caused a 99 per cent rise in pre-tax profits at Bryant Group, the Midlands-based housebuilder.

In the year to May 31 pre-tax profits rose from £18.3m to £36.5m on turnover up from £310m to £392m. Operating profits rose from £22.6m to £37.7m.

Mr Andrew MacKenzie, chief executive, said the development of a multi-regional structure had strengthened the homes division and put it in a position to benefit from a steady improvement in the UK economy.

"We will see volume increases on the back of our regional expansion," he said.

The homes division contributed 78 per cent of turnover and 90 per cent of operating profit. It had been helped to a strong start in 1994 by fixed rate mortgages, Mr MacKenzie said.

The division recorded a 15 per cent increase in financial completions to a record 3,255. The main "growth in Homes has come from Northern," Mr Mackenzie said. There were 400 completions from Yorkshire and the North West.

Selling prices rose from £83,000 to £95,000

Sales since May were 30 per cent higher than the same period last year and provided the position Bryant needed to achieve its target of 15 per cent growth for 1995.

The luxury homes division Bryant Country Homes, with average selling prices of £300,000, saw its first 15 completions. Mr MacKenzie said initial setting up costs had led to small deficits for Country Homes and Scotland.

The land market had become increasingly competitive and was likely to remain difficult, he said.

"The planning system, particularly in the south east, is consistently failing to provide an adequate supply for market needs."

Bryant increased its directly held land bank by 1,000 lots to 9,200.

Gearing stood at 14 per cent compared with a cash positive position last year.

Earnings per share rose from 4.9p to 8.9p. A final dividend of 3.6p (3.4p) has been recommended.

● **COMMENT**

These results exceeded even the top end of expectations, and with them Bryant brings a sense of security to a sector that has had its fair share of scares. The company has set about increasing its product mix, which will lift margins, and extending its geographical base, which will generate volume growth. With all this in place, the ½ per cent interest rate rise has failed to dent the optimism surrounding the company. The shares look cheap with a profits forecast of £50m and a p/e of 10.9.

Recovery leaves BSG at £8.28m midway

By Paul Cheeseright, Midlands Correspondent

BSG International, the West Midlands group with interests in motor and aviation components, childcare products and vehicle distribution, staged a 1994 first half recovery after a worrying 1993 second half when trading conditions deteriorated sharply.

Pre-tax profits in the six months to June 30 were £8.28m, compared with £8.53m and £8.95m, excluding exceptional items, for the whole of last year.

Mr Astley Whittall, soon to retire as chairman, was "confident that the second half will show further evidence of the group's recovery".

BSG is maintaining its interim dividend at 0.7p, being paid on earnings per share down from 2.07p to 1.97p. Turnover rose from £291.8m to £324.8m with operating profits static at £11.1m.

During the current half, Britax plans to consolidate its childcare product manufacture at Andover at a cost of 217 redundancies and exceptional charges of £2m.

Elsewhere in Britax, motor component manufacture for European markets is recovering although pressure on margins is severe, while in the US and Australia, the problem is finding capacity to meet demand. Losses have been reduced in the aircraft interior business and profits should return next year.

Bristol Street pushed up new and used car sales by 36 and 15 per cent respectively. It completed the acquisition of Jessups, another distribution business, on July 1, but the impact on profits is likely to be neutral this year.

The shares gained 2p to close at 67p.

BSM turns in £2.2m and pays 2.15p maiden interim

By David Blackwell

BSM, the UK driving instruction company which was floated last October, yesterday announced a maiden interim dividend of 2.15p, compared with a pro forma 1.93p.

Pre-tax profits for the six months to July 1 were £2.23m, compared with a previous loss of £144,000 after payment of £2.21m of interest on debt incurred in its management buy-out. Earnings per share were 5.9p, compared with a 6.3p loss.

Operating profits on continuing operations were up 6 per cent from £2.23m to £2.37m.

Total turnover increased from £11.8m to £12.7m. The latest figure included £1.12m from discontinued operations, compared with £724,000 previously. In July, BSM closed its MCR accident repair centre at Leamington Spa with a loss of £168,000.

Mr Paul Massey, chief executive, said that while the core market of teaching learner drivers had been "less than easy," the group had finished the half with a higher number of instructors and pupils. "Overall, the company is in a very healthy position."

In the past 12 months the number of people applying for a provisional driving licence fell by 1.6 per cent, while BSM increased its business by 1.7 per cent.

The group, which now claims to have 15½ per cent market share, has also pushed through a 2½ per cent increase in prices.

It has also identified four ways of increasing its customer base. Next month it will launch a national scheme for introducing school-pupils to driving; it is continuing discussions with insurance companies with a view to reduced premiums for newly qualified drivers who undergo further training; it has started a scheme for teaching disabled people to drive; and it is continuing to expand its Qualified Driver Training division, aimed at company car drivers.

Bernard Matthews rises 80% to £8.36m

By Peter Pearse

Shares in Bernard Matthews, the poultry and meat producer, bucked the market's downward trend yesterday by rising 6p to 127p, in response to an 80 per cent jump in pre-tax profits from £4.64m to £8.36m for the 28 weeks to July 27.

Mr Bernard Matthews, chairman, said both profits and turnover had benefited from organic growth and acquisitions. Operating profits swelled to £9.25m (£5.09m), with acquisitions adding £2.82m (nil) to continuing operations, which rose 26 per cent to £6.43m.

Group turnover rose to £137.1m (£88.9m), which included £33m from acquisitions.

In the past year, Matthews bought Turners Turkeys from Unigate for about £12m at the end of 1993 and acquired Advanced Foods, the state-owned New Zealand lamb business for an undisclosed sum in April. Mr Matthews said the acquisitions represented a change of company policy, after years of organic growth.

Mr Matthews said that whole turkeys now accounted for less than 10 per cent of the group's business, with Christmas turkeys less than 6 per cent, though he stressed that that side of the business had not shrunk, merely that the contribution from value-added products had grown.

Sales of both branded cooked meats and fresh meat products continued to expand though the group was suffering losses in France and Germany – markets it recently entered with four products in each. A £1.2m advertising campaign in Germany was currently running on TV to introduce consumers to the company as well as to increase volume sales of the products.

Earnings rose to 4.54p (2.5p) and the interim dividend is lifted 20 per cent to 1.32p (1.1p).

Mackie heads for USM with £17.3m valuation

By David Wighton

Mackie International, the west Belfast-based textile machinery manufacturer, is joining the USM later this month after a placing valuing the company at £17.3m.

The £9.6m raised will transform Mackie's balance sheet which has been weighed down with debt and scarred by years of losses.

The proceeds will pay off loans from Northern Bank and Overseas Private Investment Corporation, a US Government agency, which are writing off £7.6m. The result will be to turn Mackie's negative net worth of £852,000 at June 30 into shareholders' funds of £16.3m.

The flotation is possible because of the dramatic trading recovery since Mr Pat Dougan was brought in as chief executive in October 1991. Turnover, which collapsed from £30m to £8m in the two years to 1991 reached £13.2m in 1993 and £9.38m in the six months to June. After a profit of £950,000 in the first half Mackie is forecasting at least £1.9m for the full year.

On a pro forma basis and assuming a full tax charge earnings per share would be 13.2p giving a notional multiple of 13.6 at the 180p placing price. The notional yield is 4.2 per cent.

Founded in the 1840s Mackie is a world leader in the manufacture of machinery for flax, jute, hemp and sisal fibre producers. To help counteract the cyclical nature of the core business, Mr Dougan set up a water treatment plant division last year which has won a £25m order from Argentina.

Mr Dougan's stake will be diluted to 20 per cent, but none of the existing investors are selling shares in the placing. It is sponsored by English Trust with stockbrokers Teather & Greenwood.

Strong emerging markets business lifts Nelson Hurst

By Christopher Price

A strong showing from its emerging market operations boosted half-year pre-tax profits at Nelson Hurst, the insurance broker which came to the market late last year, by 68 per cent from £2.61m to £4.38m.

Turnover for the six months to June 30 increased by 17 per cent to £21.5m (£18.4m), with the best performance – a 25 per cent increase – coming from the group's middle and far eastern division. Total revenue was ahead at £22.9m (£19.8m).

Mr David Woodward, chairman and chief executive, said: "we have a presence in all the big Asian business centres and have developed good relationships with prominent local brokers."

The group's link with Hopewell, the Hong Kong insurance group, was beginning to show good returns and the recently opened Philippines office had good potential, he said. Offices in Shanghai and Vietnam are planned for early next year.

Turnover at the financial and reinsurance operations grew 15 per cent to £8.69m (£7.57m), with a particularly strong showing from the North American casualty insurance business.

London Overseas operations, which includes reinsurance of large construction projects such as power stations, saw turnover grow 15 per cent to £7m (£6.1m). However, aviation and marine insurance were difficult markets.

The UK-based retail business was boosted by the joint venture with Price Forbes Group, one of South Africa's leading insurance groups. Turnover advanced 20 per cent to £1.94m.

Mr Woodward was confident on second half trading. "We are seeing continued revenue growth, both from our existing business and from new ventures. I am quite bullish over our prospects."

Earnings per share advanced from 5.1p to 6.4p. There is an interim dividend of 2.2p.

Tomkinsons shares dive 10% after warning

Shares in Tomkinsons, the carpet manufacturer, dived more than 10 per cent from 240p to 215p yesterday, after the company said second half results would be below market expectations, with trading running at a similar level to the first six months.

The company said trading conditions in the home furnishings sector had continued to be very difficult and demand for carpets had been very depressed during the summer.

Recently however, there had been some signs of a modest strengthening of demand.

Pre-tax profits fell from £430,000 to £332,000 in the six months to April 2, but the interim dividend was held at 3.5p.

Wolstenholme Rink up 47%

Wolstenholme Rink, the manufacturer and supplier of printing materials, saw pre-tax profits rise 47 per cent from £2.02m to £2.96m in the six months to June 30. The result came on the back of turnover up 23 per cent from £26.6m to £32.7m.

Earnings per share were up 51 per cent to 25.3p (16.8p). The interim dividend is 7.8p (6.8p).

The share price closed 38p up at 808p.

Losses deepen to £0.4m at Sentry Farming

Losses at USM-quoted Sentry Farming Group increased from £309,000 to £406,000 in the first half of 1994, on a higher turnover of £2.41m, against £2.29m.

The company pointed out however, that its seasonal business meant that losses would normally be incurred in the build up towards harvest.

Mr Nigel Brown, chairman, said weather over the harvest period had been relatively co-operative. "We are not in for a year of bumper yields but they should be close to those anticipated."

No account was again taken in the interim figures of income due under the Arable Aid Payments Scheme, for which claims had been presented but would not be recoverable until later in 1994. Losses per share were 6.54p (7.65p).

1p premium on Compel shares

Shares in Compel Group, the computer systems and services company, ended their first day of trading at 126p, a modest 1p premium to their issue price, having opened at 130p. The placing with institutional investors, valued the group at just over £19m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Antofagasta	int	1.45†	Dec 7	1.2☆	-	4.2
Bodycote	int	2.15	Sept 30	2	-	5.25
Brake Bros	int	2.3	Dec 30	2	-	6.82
Bryant	fin	3.6	Nov 28	3.4	5	4.8
BSG	int	0.7†	Dec 30	0.7	-	3.2
BSM	int	2.15	Oct 31	-	-	-
Hays	fin	4.15†	Nov 30	3.6	6.1	5.3
Nelson Hurst	int	2.2	Oct 27	-	-	-
Secure Trust	int	5†	Nov 11	4.5	-	15
Southern News	fin	10	Nov 10	8.8	13.5	11.8
Tesco	int	2.7	Nov 29	2.45	-	7.75
Travis Perkins	int	2.8	Nov 1	2.5	-	8
Wassall	int	1.15†	Nov 11	1	-	3.4
W'holme Rink	int	7.8	Nov 10	8.8	-	18

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Adjusted for sub-division.

Placing to fund 45% stake in world's third largest copper deposit

Antofagasta to raise £11.5m

By Simon Davies

Antofagasta Holdings, the UK listed Chilean mining, rail and banking group, is buying a further 45 per cent of the Los Pelambres mine, which controls the world's third largest copper deposit.

The deal – which will cost $29.6m (£18.9m) – will give the group a 65 per cent stake in the mine. The remainder is owned by Midland Bank and Lucky-Goldstar, of South Korea.

It is being part funded by an £11.5m placement; the balance will be satisfied in cash.

The pricing was agreed at the time of a debt-for-equity swap by Midland in 1989, and is extraordinarily favourable to Antofagasta.

A report by RTZ valued Los Pelambres' proven and probable reserves at $158m, suggesting a $71m valuation for the 45 per cent stake.

The company is placing 3.74m new shares to institutions at 308p a share, compared with yesterday's closing price of 323p.

Los Pelambres, which is in the Andes some 200 kilometres north of Santiago, is estimated to have more than 1bn tonnes of copper-bearing material, and some gold and silver deposits.

Current production is around 5,200 tonnes per day, but the company has recently completed a feasibility study which suggests that open pit mining could increase production to 60,000 tonnes.

Mr Christopher Jowett, finance director, said Los Pelambres would invest up to $120m in developing the mining operations over the next 6 years, in order to achieve these higher production targets.

Antofagasta also announced that pre-tax profits for the six months to June 30 fell from £11.6m to £10.1m.

This reflected a fall in the copper price from a 1993 average of 92.4c per lb to a 1994 average of 90.6c.

Profits from mining fell from £2.1m to £1.2m.

The railway operations contributed £1.6m, down from £1.8m, as a result of its sensitivity to the mining industry. Associates contributed £6.9m (£7.7m).

For every 1c increase in the copper price, Antofagasta's earnings should rise $700,000, and the current price of 115p suggests a stronger performance in the second half.

The company increased its interim dividend from 1.2p to 1.45p. Earnings per share before exceptionals were 5.4p (6.9p).

Merger helps lift Secure Trust 6% to £3.9m

By Alison Smith

Secure Trust, the financial services group, reported a 6.2 per cent rise in first half pre-tax profits from £3.71m to £3.94m.

Net interest income rose from £2.1m to £2.57m. Fees and commission rose from £7.17m to £7.56m.

Mr Henry Angest, chairman, said that the group had benefited from merging the Peoples Bank and Secure Homes into the Secure Trust Bank.

This enabled it to offer a wider range of services to the existing customer base. The acquisition of Aitken Hume Bank, now renamed Arbuthnot Latham, made it possible to offer new ranges of services.

Mr Stephen Lockley, finance director, said acquisitions and establishing Arbuthnot Commercial Finance, a factoring operation, accounted for the rise in administrative expenses from £5.08m to £5.62m.

Most of the profit growth had come from Secure Trust Bank, he said, and from the Household Cash Management business where consumer lending had increased.

The group's insurance broking business was slightly down on the first half of last year.

The interim dividend was raised from 4.5p to 5p.

Earnings per share rose 7.5 per cent to 18.6p (17.3p).

BM makes Canadian disposal

BM Group, the engineering concern, took a further step in the disposal of its Blackwood Hodge interests with the sale of Blackwood Hodge (Canada) in a deal worth £4.5m. It could raise a further £2m to £3m from the sale of assets being retained.

The company is being sold for a nominal sum to a consortium including local management and Mr Howard Sutton, who resigned as chief executive last year after announcing higher than expected restructuring costs. The consortium also includes Mr Ronald Strasser a former non-executive director of BM.

The deal includes the repayment of intercompany loans of £1.2m. In addition BM will be relieved of bank borrowings, stock finance and finance leases amounting to £3.3m.

As a result of earlier provisions and taking into account the Canadian company's trading losses, BM said the sale would have a positive impact on net assets. BHC lost £6.2m (£4.1m) before tax and exceptionals on turnover of £49.6m (£65.2m) for the 1993-94 year.

Pearson shares fall 19p as publishing restructured

By Raymond Snoddy

Pearson yesterday announced a restructuring of its publishing interests to reflect its new strategy of concentrating on information, education and entertainment.

Under the reorganisation which is due to be completed by the end of this year publishing will be grouped by theme.

As a result there will be redundancies at Longman's offices in Harlow, Essex because of the consolidation of some head office functions. Pearson did not say how many jobs would go although it is believed to be about 100.

Following a briefing on the reorganisation for analysts the shares fell 19p to close at 564p.

The reorganisation means:

- Information – the business and professional publishing arms of the Financial Times Group and Longman Group will be combined to form Pearson Professional, a subsidiary with projected revenues of about £150m a year. The businesses that will be brought together include FT Newsletters and FT Conferences, Federal and Capital Publications and AsiaPacific Business and Professional.
- Education – the English language teaching and educational publishing interests of Longman will be merged with Addison-Wesley to form Addison-Wesley Longman with projected revenues of more than £360m.
- Entertainment – Ladybird Books, the children's publisher will be added to Penguin. Penguin's worldwide business has projected revenues of of about £370m.

Frank Barlow: driven by need to concentrate on key markets

Pearson Professional will be run by Mr Peter Warwick, at present Longman's deputy chief executive.

Addison-Wesley Longman will be headed by Mr Larry Jones who has recently been appointed chief executive of Addison-Wesley. Ms Paula Kahn, who has been chairman and chief executive of Longman for the past five years, will leave the company at the end of this year.

Mr Frank Barlow, Pearson's managing director said that although some jobs would go "the changes are driven by the logic of our decision last year to concentrate, as a media group, on opportunities in information, education and entertainment. These are our key markets, and we have to line up our resources accordingly".

Pearson said that the net impact of the reorganisation on the company's 1994 financial results should not be material.

Earlier this month Pearson announced a 50 per cent rise in pre-tax profits to £89.3m for the six months to the end of June. The results, and hints of difficulties in the book market led to a 31p drop in the share price to 628p.

Mr Richard Dale, media analyst at stockbroker Smith New Court said yesterday that the change would have little effect in the short term. "Over the longer term, hopefully, it will engender a degree of communality."

All-round increase lifts Bodycote 10.5%

By Peter Pearse

Increases in all divisions enabled Bodycote, the metal technology, packaging and textiles company, to announce a 10.5 per cent advance in pre-tax profits for the first half of 1994.

The rise from £6.52m to £7.21m was struck on turnover ahead almost 10 per cent at £41.4m (£37.7m).

The advance was underpinned by continued progress from the metal technology side and a turnround from the second half of 1993 in the protective clothing business.

The metal technology division lifted profits by 8 per cent to £5.56m (£5.15m) on turnover of £22.8m (£21.2m).

Mrs Claire Avery, company secretary, said the rise had been on the back of greater demand from the automotive and aerospace industries for Bodycote's "hot isostatic processing" - hipping - a process which removes the porosity from metal.

Mrs Avery said demand was growing in the UK and the US and that the group was developing the process to cope with larger components.

EHCO-KLM, the protective clothing and uniforms maker, made profits of £880,000 (£629,000) on turnover of £13.6m (£12.7m). This represented a sharp improvement on losses of £118,000 in the second half of 1993, which included closure and redundancy costs.

Stockpack, the contract packaging group, was now reaping the rewards of the group's recent investment. High-tech machinery was leading to smaller labour costs, Mrs Avery said.

The industrial and general division, of which Stockpack is the main subsidiary, raised profits 9 per cent to £1.26m (£1.15m) on turnover up at £4.96m (£3.77m).

Capital expenditure for 1994 is expected to match 1993's £15m, with most going to the metal technology side and Stockpack. Gearing is "negligible". The interim dividend is lifted 7.5 per cent to 2.15p (2p), payable from earnings per share of 8.28p (7.68p).

The share price closed 6p up at 322p.

INFORMATION FROM THE BANK OF ENGLAND

ISSUE OF £2,000,000,000

8½% TREASURY STOCK 2005

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER FOR AUCTION ON A BID PRICE BASIS ON 28 SEPTEMBER 1994

PAYABLE IN FULL WITH APPLICATION		Price bid
	With a competitive bid With a non-competitive bid	 £100 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 29 September 1994.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2005.

4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the Central Gilts Office (CGO) Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

5. Interest will be payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday, 29 September 1994 and the first interest payment will be made on 7 June 1995 at the rate of £5.8453 per £100 nominal of Stock.

6. The Stock may be held on the National Savings Stock Register.

7. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

8. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

10. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inspector of Foreign Dividends, Inland Revenue, Lynwood Road, Thames Ditton, Surrey, KT7 0DP.

11. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

Method of Application

12. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 28 September 1994.

13. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON WEDNESDAY, 28 SEPTEMBER 1994**; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than **10.00 AM ON WEDNESDAY, 28 SEPTEMBER 1994**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON TUESDAY, 27 SEPTEMBER 1994**. Bids will not be revocable between 10.00 am on Wednesday, 28 September 1994 and 10.00 am on Monday, 3 October 1994.

14. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

(ii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT IN FULL AT THE PRICE BID** must accompany each competitive bid. Cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID:** competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

15. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT AT THE RATE OF £100 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full **AT A PRICE** (the non-competitive sale price) **EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED**, the average being weighted by reference to the amount accepted at each price and **ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive sale price is less than £100 per £100 nominal of Stock, the balance of the amount paid will be refunded by cheque despatched by post at the risk of the applicant.

(vi) If the non-competitive sale price is greater than £100 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £100 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of allotment letters to applicants from whom a further payment is required will be delayed until such further payment has been made.

16. The Bank of England may sell less than the full amount of the Stock on offer in the auction.

17. The Stock will be initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of such Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

18. Letters of allotment in respect of the Stock sold, being the only form in which the Stock (other than amounts held in the CGO Service for the account of members) may be transferred prior to registration, will be despatched by post at the risk of the applicant, but the despatch of any letter of allotment, and the refund of any excess amount paid, may in the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allocated.

19. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

20. Letters of allotment may be split into denominations of multiples of £100 on written request to the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW received not later than 13 October 1994. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a completed registration form, may be lodged for registration forthwith and in any case must be lodged for registration not later than 17 October 1994; in the case of Stock held for the account of members of the CGO Service registration of Stock will be effected under separate arrangements.

21. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 29 September 1994 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 29 September 1994 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock. A member of the CGO Service may also, subject to the provisions governing membership of that Service, surrender a letter of allotment to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock.

22. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

20 September 1994

APPLICATION FORM

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 20 September 1994 as follows:-

FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid)

Nominal amount of 8½% Treasury Stock 2005 applied for: £

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1: £ 32nds

Sum enclosed (a), being the amount required for payment IN FULL AT THE PRICE BID for every £100 NOMINAL of Stock applied for: £

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price as defined in the prospectus)

Nominal amount of 8½% Treasury Stock 2005 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed (a), being £100 (b) for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER............... Tel No...............

Name of contact...............

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that any letter of allotment in respect of Stock sold me/us at the address below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/We warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 29 September 1994, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

SIGNATURE(S) ....
Date............... of, or on behalf of, applicant

PLEASE USE BLOCK CAPITALS

MR/MRS MISS/MS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS		
TOWN	COUNTY	POSTCODE

NATIONAL SAVINGS STOCK REGISTER: If you wish the Stock to be registered on the NATIONAL SAVINGS STOCK REGISTER (for which there is a limit of up to £25,000 nominal of Stock) please tick this box. ☐

(a) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(b) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 28 SEPTEMBER 1994; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 28 SEPTEMBER 1994; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 27 SEPTEMBER 1994.

Newly-acquired General Cable contributes £1.2m in just 22 days

Wassall 21% ahead at £11.8m

By David Wighton


Tony Andrews

Christopher Miller (centre) with depnty chief executives David Roper (left) and Philip Turner.

Wassall, the conglomerate that nearly trebled its annual sales with tha £177m acquisition of US-based General Cable in June, increased pre-tax profits by 21 per cent to £11.8m in the six months to June 30.

General Cable contributed a profit of £1.2m in 22 days and Mr Chris Miller, chief executive, predicted that it would enhance group earnings in its first year.

Wassall has cut more than 20 per cent of General Cable's 300 strong head office and appointed a new chief executive in Mr Steven Rabinowitz, formerly with General Electric and Allied Signal.

General Cable's huge copper atocks bave already been reduced by 10 per cent.

Wassall believes that eventually it will be able to hedge up to 70 per cent of its copper exposure, but meanwhile it is able to pass on the rising metal price to its customers.

It also faces rising polypropylene and aluminium costs in its bottle tops business where Mr Millar admita price increases are vary difficult to pass on. But he predicted the effects would be outweighed by continued voluma growth.

Tbe closurea division recorded 10 per cent volume growth in Europe, helped by good weather, expansion in eastern Europe and the success of Coca-Cola's new half litra bottle whicb is taking market share from cans.

Closures profits rose to £5.43m (£4.96m) despite a downturn in South Africa reflecting the uncertainty and upheaval caused by the elections. Mr Miller forecast a better second half in South Africa and added: "Business confidence is better than it has been for years though whether that translates into real orders remains to be seen."

Excluding General Cable and exchange rate movements the existing businesses increased operating profits by 29 per cent to £12m with tha contribution from DAP, the US DIY products supplier, np 31 per cent to £4.99m.

Turnover from the existing businessea rose to £137.6m (£133.1m) while General Cable contributed £42.6m.

Earnings per share rose 15 per cent to 4.7p.

The interim dividend is up 19 per cent to 1.15p.

The shares fell 11p to 286p.

● **COMMENT**

The alide in Wassall's share price yesterday had more to do with its atrength since the General Cahle deal than with any concerns about the figures. Virtually all the existing businesses are performing well and Mr Miller is so confident about General Cable that he said the group could take on another acquisition outside the US if the opportunity arose. He is pradicting margins of 4 per cent at General Cable in 1995 which shonld power profits from around £36m this year to perhaps £52m. That puts the shares on a multiple of 22, falling to 17. Demanding certainly, hut the Wassall team's record is hard to beat.

Southern News rises to £11.4m

By David Blackwell

A gain of £3.5m on the sale of a stake in rival Portsmouth & Sunderland Newspapers helped Southern Newspapers to lift annual profits by more than half.

Pre-tax profits for the year ended July 2 rose from £7.51m to £11.4. The figure included £789,000 (£868,000) from other operations, mainly related to a Bournemouth industrial estate, and exceptional costs of £1.22m related to a plant closure.

Operating profits from the main businesses of newspaper publishing and contract printing rose from £5.93m to £8.24m. Total turnover improved from £71m to £76.9m, including £1m from acquisitions.

Mr James Sexton, chief executive, said yesterday that he was pleased with the performance. The group remains ungeared, and is planning to fund from its own resources £25m of capital expenditure over the next two years on relocating its printing operations in Southampton and purchasing a new web offset colour press.

Capital expenditure for 1993-94 was £6.4m (£5m), and the group ended the year with £5.8m cash (£4.3m).

The newspaper division, which publishes three daily and 30 weekly newspapers in southern England, reported advertising revenues ahead by 9.4 per cent, with the most significant increase coming in employmant advertising. National advertising taken through the London office rose by 18 per cent to £8m.

Overall circulation levels were ahead by a bttle more than 2 per cent, but the dailies in Bournemouth and Southampton showed a amall decline.

Magazine printing, including Exchange & Mart, contributed £23m to total turnover. The group, which has concentrated all its magazina printing in Upton, near Poole, said volumes had increased dramatically, but margins remained tight.

Earnings per share were 39.27p, up from a previous 22.73p. Excluding exceptionals, the latest earnings figure is 29.19p. A proposed final dividend of 10p makes the total for the year 13.5p (11.8p).

Parambe tumbles to £17,000

Pre-tax profits at Parambe, an investment company, fell by 58 per cent from £40,238 to £17,002 in the six months to June 30.

Turnover was down at £90,357 (£106,792).

The company said that while some of the larger holdings in its investment portfolio performed strongly, security dealing income was well down at £26,130, against £47,240.

Gross investment income edged up to £42,609 (£41,289), and art dealing income produced £21,618 (£18,263).

Earnings per share however, fell from 0.49p to 0.21p. The company has stopped paying interim dividends (0.55p in 1993).

UK catering improvement helps Brake advance 24%

By Richard Wolffe

Improvement in the UK catering market helped to lift pre-tax profits at Brake Bros. the frozen food distribntor. which yesterday announced a 24 per cent rise from £7.14m to £8.86m for the six months to June 30.

Group turnover lifted 18 per cent from £160.5m to £188.9m, including a full six months' sales from Country Choice Foods, a frozen products supplier which was purchased in May 1993. Operating profit rose 19 per cent to £9.28m (£7.78m).

However, the group's performance was held back by its UK chilled food catering operation, Larderfresh, which made losses of £1.3m (£1.1m). Brake Bros sees the venture, which was launched in August 1993, as part of its long-term strategic development.

The cost of establishing food distribntion activities in France increased, with operating losses standing at £1.1m (nil). The French activities are not expected to make a substantial contrihntion thia year.

Mr William Brake, chairman, said: "whila the costs of entering France are proving greater than expected, the directors are confident that action taken in getting into place a strong management structure, linked to the many improvements already introduced, will enable the board to achieve its goal of creating a business emulating that in the UK."

Underlying sales at the company's core UK frozen foods business grew 6 per cent, and are expected to perform soundly for the rest of the year.

Interest charges fell from £644,000 to £392,000, thanks to reduced borrowings and lower interest rates.

Gearing was reduced from 5.9 per cent at December 31 to nil, after a net cash inflow of £9.6m.

Earnings per share lifted 11 per cent to 11.1p (10p) and the interim dividend increased by 15 per cent to 2.3p (2p).

The shares closed up 1p at 418p yesterday.

Offer gives Attwoods chief a disturbed night

Peggy Hollinger considers the Browning Ferris bid

Mr Ken Foreman, Attwoods chief executive, undoubtedly had a rude awakening yesterday morning. At some time about 3am he was roused from bed to hear that he had been sold out, not only by his largest shareholder but also three of his fallow directors.

The men from Laidlaw who negotiated the deal to sell the Canadian company's 29.8 per cent stake, which resulted in yesterday'a hostile £364m cash bid from Browning Ferris Industries, have been on the Attwoods board since 1990.

Relations have been strained for some time, however. And Laidlaw's comments yesterday left no donht that its disappointment with the investment was increasing.

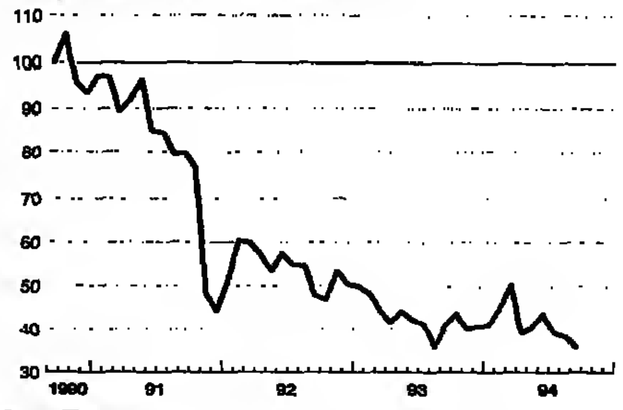
Yet Mr Foreman argues the worst is behind Attwoods, and the hid substantially undervalues its recovery potential. Investors might be forgiven for thinking they have heard such optimistic comments before, after the cash calls, disposals, and managemant changes of the last four years.

Attwoods has long had a credibility problem with UK investors. In recent years their interest has fallen to just 25-30 per cent of the shares.

The company has heen plagued by rumours of Mafia links, which have been denied, following the takeover of a US company in 1984. The group's US subsidiaries, and some former US directors, have also at various times been the focus of government investigations for alleged bribery, fraud and corruption. Finally, Attwoods has faced regulatory prohlems in the US which have led to a series of law suits.

Attwoods

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Mr Foreman himself sits uneasily with the pinstriped brigades in the City of London. A small man, permanently suntanned as a result of his preference for his Florida home, Mr Foreman most often hits the headlines as the third husband of Mandy Rice-Davies.

It was Mr Foreman's waste business, Drinkwater Sabey, which reversed into Attwoods Garages in 1982 and came to tbe market with ADT, the security and car auctions group, as a substantial shareholder. Laidlaw arrived in 1989, after a complicated asset swap involving ADT and Attwoods.

Mr Foreman built the company through a series of acquisitions. He attracted influential support, including Sir Denis Thatcher, who retired earlier this year after 10 years as deputy chairman.

By 1990 finances were getting stretched. Within 16 months it called on shareholders for £162m in two rights issues. The second was only successful when Laidlaw agreed to underwrite a substantial proportion of the issue.

Since then, Laidlaw's support has been poorly repaid. In 1991 it wrote off half the value of its $900m (£580m) investment. Pre-tax profits bave plunged from £28.5m in 1990 to last year's loss of £62.2m, after a £91m writeoff on disposals. Forecasts are for £20m after exceptionals for 1994, still some way from the peak of £39m.

Nevertheless Mr Foreman says Attwoods is now set for its best year for some time. Recovery is beginning in the US and UK, while Germany has at least got no worse.

Attwoods' defence will draw strongly on tbe recovery story. However, a greater challenge will be to convince investors of the management story.

Murray Johnstone emerging trust

Murray Johnstone is planning to launch a new investment trust concentrating on emerging markets. It hopes to raise about £40m for the trust, writes Bethan Hutton.

The management team for the Murray Emerging Economies Trust will be led by Mr Rodger Scullion, who is already responsible for the Murray Smaller Markets investment trust, which has considerable holdings in emerging markets.

Murray Johnstone has a total of about £300m under management in emerging markets through a number of retail and institutional funds.

The new trust will follow the International Finance Corporation's definition of emerging markets, which currently inclndes 25 countries. Unlike many emerging market fund managers.

An institutional placing of shares in the trust will be taking place over the next few weeks, with a public offer for subscription scheduled for early November.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Price for Trading on [illegible]	Pool Prices for Trading on [illegible]	
1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.03	10.00	10.00
0100	9.94	9.68	9.88
0130	9.95	9.58	9.58
0200	11.03	9.58	9.88
0230	11.03	9.58	9.88
0300	11.03	9.58	9.58
0330	11.03	9.58	9.38
0400	11.03	9.58	9.38
0430	9.94	9.58	9.38
0500	9.94	9.95	9.88
0530	9.95	10.73	13.89
0600	9.95	10.73	13.89
0630	13.10	10.73	13.89
0700	16.62	16.17	19.32
0730	16.59	17.19	20.34
0800	16.73	16.12	22.27
0830	17.54	16.16	21.35
0900	19.92	18.27	21.49
0930	19.93	21.19	24.42
1000	19.94	35.61	38.76
1030	19.93	35.55	38.92
1100	19.93	21.32	24.60
1130	19.96	21.45	24.75
1200	19.29	29.42	32.66
1230	19.07	29.51	32.66
1300	19.93	29.35	32.66
1330	17.83	21.17	24.39
1400	17.51	19.22	22.42
1430	17.51	19.18	22.36
1500	17.50	19.17	22.35
1530	17.60	19.17	22.35
1600	17.52	19.22	22.41
1630	17.54	19.29	22.51
1700	26.07	28.78	32.00
1730	26.05	36.43	38.65
1800	16.88	28.83	31.82
1830	17.49	18.17	21.33
1900	18.49	18.11	22.27
1930	18.34	17.80	21.08
2000	32.55	17.19	20.34
2030	32.59	17.74	20.89
2100	32.58	27.38	30.83
2130	18.12	32.50	35.66
2200	18.12	17.74	20.89
2230	18.12	17.19	20.34
2300	18.42	16.43	19.59
2330	18.14	15.83	18.96
2400	11.07	15.81	18.96

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert above to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 6:15pm Monday to Friday.
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COMMODITIES AND AGRICULTURE

Dairy farmers urged to capitalise on price rises

By Alison Maitland

UK dairy farmers must use the short-term increase in milk prices that will accompany market deregulation to invest for a secure future in an increasingly competitive European market, according to a report published today.

The report by Adas, the government's farm advisory service, predicts a heavy concentration of ownership in the dairy sector in England and Wales by 2000.

"We estimate that 22 per cent of dairy farmers, equivalent to 6,500 producers, will leave the industry," says the report, Options for Growth. The number of herds is expected to fall by 20 per cent and average herd size to grow by 4 per cent.

"If you want to stay in business, you will have to acquire more quota. . . It is vital that businesses plan now to ensure they will be in a position to purchase or lease when quota prices are more favourable."

The UK is expected to rise to the top of the EU price league when the market is liberalised in November and farmers are free to sell milk direct to dairy companies or to Milk Marque, a voluntary producers' co-operative that will act as a broker.

But the Adas report says that competition from imported milk products will ultimately form a price ceiling for UK milk destined for manufacture into butter, cheese or yoghurt.

The UK market reorganisation is proving highly controversial, with dairy companies unhappy at Milk Marque's control of at least 65 per cent of supplies in England and Wales. The Dairy Trade Federation begins legal action this week to try to overturn government approval of the new arrangements. It says Milk Marque's planned rise in prices will bring a flood of imports and damage the UK processing industry.

The Adas report advises farmers to maximise milk yields. Britain has larger dairy farms and herd sizes on average than its main EU competitors, but lower production of milk per cow than Denmark, the Netherlands and France.

Production costs are among the lowest in the EU but not as low as they might be given the UK's economies of scale, it says. "The outlook for dairy farmers will depend on their ability to capitalise on the advantages of the UK industry and improve the relationship between output and costs."

Options for Growth: Available from Helen Woolley, ADAS Dairy Development, ADAS, Wolverhampton. Tel. 0902 754190.

Indian government dithers over edible oil imports

By Kunal Bose in Calcutta

With the elections to be held in several states, including some major oilseeds producing states, late this year the Indian federal government is finding it difficult to firm up its edible oils import policy.

The government, which must weigh carefully the impact of any policy initiative on its electoral prospects, finds the agriculture ministry strongly opposing the proposal of the civil supplies ministry to allow the free import of all kinds of edible oils. At present only the import of palm olein is freely allowed.

While it is important for the government to keep the 15m farmers engaged in the cultivation of oilseeds happy by keeping the import of oils to the bare minimum, it cannot overlook the fact that prices are high in spite of a good oilseeds crop during 1993-94 (November to October). Prices may rise even further during the Indian festive season beginning October.

What the government has done in the prevailing circumstances is to postpone taking a decision on freeing the import of all edible oils to a future date and to allow the State Trading Corporation and the National Dairy Development Board to import 100,000 tonnes of edible oils each, excluding coconut oil, at a concessional duty of 20 per cent.

The private oil trade has, however, taken strong exception to the government allowing only the state agencies to import oils.

Earlier this year also, the traders were discriminated against when the government allowed the STC and NDDB to import over 200,000 tonnes of palm olein at a duty of 20 per cent, compared with the normal rate of 65 per cent. The import duty on palm olein may be reduced.

The government is, however, deriving some comfort in this election year from the encouraging prospects for oilseeds production in the 1994-95 season. According to initial projections, output is likely to rise to 22.4m tonnes from 21.75m in 1993-94. The improvement in production will be mainly in the groundnut and soyabean crops.

The excellent monsoon in most parts of the country has given a boost to oilseeds production. The monsoon influences the production in a big way as about 60 per cent of the land under oilseeds is unirrigated.

Embassy move puts Guatemalan spice trade on the rack

Edward Orlebar explains why cardamom growers are worried about losing friends in the Middle East

The Arab-Israeli conflict has never been of great concern to the poor farmers who live in the department of Alta Verapaz, about 100 miles north of Guatemala City. But the welfare of about 250,000 Keq'chi Maya Indians who produce more than two thirds of the world's exports of cardamom is in the balance following President Ramiro de Leon's decision to move Guatemala's embassy in Israel from Tel Aviv to Jerusalem.

Mr De Leon said last week he was moving the embassy "for sentimental reasons" an explanation that convinced no one.

About 85 per cent of Guatemala's cardamom exports go to Arab countries, principally to Saudi Arabia where cardamom is mixed with coffee to produce gahwa, a pungent, aromatic beverage traditionally drunk out of a brass pot with an elongated curved spout. The rest goes to Europe, in particular to Scandinavian countries, where cardamom is used to spice bread and pastries. It is also used in confectionery.

In the past when other Central American countries have moved their embassies to Jerusalem, Arab nations severed diplomatic relations and imposed economic sanctions. But Mr de Leon, who appears to have taken his decision without consulting either his foreign minister or economy minister, says he is confident that the mood of reconciliation in the Middle East will ensure that exports will not be put at risk.

However, Jordan's embassy in Chile has already criticised the measure, and exporters fear that other arab countries will follow. "If the Arab countries impose a boycott it will be a disaster for us and the thousands of producers," says Mr Rodolfo Rivera, director of the chamber of cardamom exporters. "The cardamom has nowhere else to go."

Cardamom producers had been looking forward to a record harvest of 13,000 tonnes. Normally they would hope to sell to exporters for around 250 quetzales a quintal (about $44 for a 100lb bag) and for agricultural labourers who earn less than $2 a day cardamom has proved an important source of income.

The cardamom bean, a small ovoid green capsule about 2cm long, once picked is then sorted by colour, mostly by women and children. The bigger and greener the better, says Mr Rivera.

Revenue was expected to reach about $50m for the cardamom season, which runs from October to April. Dried, it fetches about $5 a kilogram, but the market is on hold until there is an official response from Saudi Arabia.

The spice arrived in the impoverished region of Alta Verapaz about 30 years ago, thanks to a quirk of history. A German immigrant, the late Mr Jacobs, brought the seeds over from India where it is indigenous. He had tried unsuccessfully to grow the plant in the Caribbean but the conditions around Coban, the departmental capital, an important coffee growing region at around 4,500ft, proved ideal. It grows almost wild, needing very little attention or fertiliser, near the coffee plantations. Guatemala quickly became by far the largest exporter in the world, accounting for about 70 per cent of the export market.

Exporters have accused Mr De Leon of bowing to pressure from the Israeli government to link economic aid and military assistance to recognition of Jerusalem. The charge is denied by both the Guatemalan army and the Israeli government.

Israel has enjoyed strong links with Guatemala since its creation in 1948. It was the Israelis who stepped into the breach to provide military equipment and intelligence training after the US cut off military aid to Guatemala in the 1970s because of its horrific human rights record.

Nickel deficit forecast

The nickel market will be in deficit from this year through to 1996 and warehouse stocks are set to fall accordingly, Mr Hugh Morgan, Managing Director of Australia's Western Mining Corporation, said yesterday, reports Reuters.

The outlook for nickel consumption was good, based on the likelihood of further stainless-steel capacity coming on stream in the next two years, he said at a presentation to the Association of Mining Analysts in London.

Since 1984-85, stainless steel production had been rising at a faster rate than industrial production, and that was expected to continue, he added.

This year the nickel market would be in deficit by 12,000 tonnes, compared with a 1993 surplus of 17,000 tonnes. In 1995 the shortfall would rise to 31,000 tonnes and by 1996 it was expected to reach 56,000.

LME warehouse stocks would fall over the next few years as well, and should be around 50,000 tonnes by the end of 1996.

Broker cuts cocoa production estimate

Trading house E.D. & F. Man has reduced its world cocoa production estimate for 1993-94 by 24,000 tonnes to 2.36m as the prolonged effect of low prices further reduces yields in Brazil, Malaysia and Ecuador, reports Reuters.

Man said it was forecasting Brazilian production of 265,000 tonnes for 1993-94, compared to an estimated output of 294,000 tonnes in 1992-93. The forecasts for Malaysian output is now 205,000 tonnes, down from an estimated 224,000 tonnes in 1992-93. Ecuador is forecast to produce 80,000 tonnes in 1993-94.

While crops in Brazil and Malaysia have fallen as sustained lower prices affect higher-cost producers, Indonesia remains the only origin where the trend is towards higher production, the report said.

"We have raised our estimate of 1993-94 [Indonesian] production to 250,000. Over the last five years production growth has averaged over 20 per cent per annum and there is no sign that the rate of growth is declining."

Cocoa arrivals up to the end of September from the Ivory Coast, the world's leading producer, were estimated at 900,000 tonnes, which included some 100,000 tonnes carried over from the 1992-93 mid-crop season, according to the report.

Man said it put its estimate for the Ivory Coast's mid-crop at 155,000 tonnes, giving a total 1993-94 production of 800,000 tonnes.

MARKET REPORT

London coffee futures up again, but below highs

London COFFEE futures ended firmer yesterday but below almost nine-year highs hit during the day on talk of dry weather in Indonesia and underlying concern over lack of rain in Brazil, dealers said.

The November position at the London Commodity Exchange closed $15 higher at $4,055. The day's peak of $4,130 was the highest second position price since January 10, 1986, when $4,194 was reached.

"Sporadic reports have been emerging of damage to the [Brazilian] trees," said the GNI trade house. "However, because of the dry spell it seems as if most trees are late developing flowers, and that they will be better placed to withstand dry weather for a few more weeks."

The overnight rally in GOLD was maintained as investment funds bought the metal in New York, triggering stop-loss buying and pushing London's afternoon fixing to an 8¼-month high of $393.90 a troy ounce.

Jumps in North American gold stocks started the rally late on Monday, most noticeably on the Philadelphia gold index, which jumped about 5 per cent, and in Toronto, where the gold stock sector increased in value by 1.55 per cent.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-13,875	to 2,369,375
Aluminium alloy	-20	to 25,740
Copper	-775	to 368,050
Lead	-375	to 368,000
Nickel	-210	to 142,068
Zinc	-1,375	to 1,233,975
Tin	-140	to 32,265

At the London Metal Exchange ALUMINIUM prices resumed their uptrend following the announcement of a big fall in exchange warehouse stocks. Despite disappointment at International Primary Aluminium Institute provisional figures indicating a rise in production in August the three months price closed at $1,616.50 a tonne, up $14 on the day.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1592.5-3.5	1616-7
Previous	1575.5-6.5	1602-3
High/low	1581.5	1623/1603
AM Official	1582-3	1605-6
Kerb close		1620-1
Open int.	264,755	
Total daily turnover	78,365	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1610-5	1632-4
Previous	1605-15	1620-30
High/low	1610	1640/1630
AM Official	1610-11	1630-1
Kerb close		1635-40
Open int.	2,850	
Total daily turnover	1,082	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	610.5-1.5	625.5-6.0
Previous	613.5-4.5	627-8
High/low	611	628/623
AM Official	610.5-11.0	625.5-6.0
Kerb close		626.5-27
Open int.	42,773	
Total daily turnover	11,065	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6420-30	6520-5
Previous	6390-5	6495-500
High/low	6385/6381	6545/6480
AM Official	6381-5	6480-90
Kerb close		6540-45
Open int.	67,923	
Total daily turnover	25,048	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5240-60	5320-40
Previous	5245-50	5325-30
High/low		5350/5325
AM Official	5261-3	5340-5
Kerb close		5325-30
Open int.	18,948	
Total daily turnover	3,215	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1003.5-4.5	1027-8
Previous	1005-6	1028-9
High/low		1034/1027
AM Official	1007-8	1030.5-1.0
Kerb close		1029-30
Open int.	98,174	
Total daily turnover	27,055	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2509-10	2528-9
Previous	2515.5-6.5	2531.5-2.5
High/low	2509	2540/2523
AM Official	2514-5	2528-8.5
Kerb close		2531-2
Open int.	215,277	
Total daily turnover	80,054	

■ LME AM Official £/$ rate: 1.5710
LME Closing £/$ rate: 1.5760

Spot:1.5748 3 mths:1.5721 6 mths:1.5684 9 mths:1.5621

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Sep	122.40	+0.05	122.50	121.50	3,808	380
Oct	118.65	-0.15	118.65	118.40	2,062	190
Nov	117.85	-0.20	118.00	115.85	718	10
Dec	117.20	-0.20	117.50	116.25	42,985	7,855
Jan	116.65	-0.15	-	-	562	27
Feb	116.10	-0.10	115.70	115.70	443	17
Total					88,474	8,875

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	393.80-394.00	
Opening	392.00-392.40	
Morning fix	392.25	249.507
Afternoon fix	393.90	250.361
Day's High	395.00-395.40	
Day's Low	391.70-392.10	
Previous close	390.00-390.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.39 6 months 4.66
2 months ....4.45 12 months 5.05
3 months 4.47

Silver Fix	$/troy oz.	US cts equiv.
Spot	348.80	548.00
3 months	353.70	554.70
6 months	359.00	561.50
1 year	373.50	579.10

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	252-256
Maple Leaf	404.25-406.75	-
New Sovereign	90-93	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	393.6	+3.6	-	-	-	-
Oct	394.1	+3.8	395.5	392.0	8,489	403
Nov	395.7	+3.6	-	-	-	-
Dec	397.2	+3.6	399.1	395.5	91,699	11,553
Feb	400.5	+3.6	402.3	398.8	13,973	316
Apr	403.8	+3.6	405.1	404.5	6,812	23
Total					158,041	12,331

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	420.7	+7.0	422.0	415.5	12,021	910
Jan	425.1	+7.1	428.0	420.0	9,094	550
Apr	428.5	+7.0	429.0	427.0	2,464	4
Jul	432.0	+7.0	433.5	433.5	464	1
Oct	434.7	+7.0	-	-	280	-
Total					24,323	1,466

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	157.35	+5.10	158.50	154.50	33	-
Dec	158.35	+5.10	158.90	154.00	5,622	436
Mar	159.10	+0.10	159.75	155.00	985	31
Jun	160.10	+5.10	-	-	152	-
Total					6,792	467

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Sep	561.2	+20.1	559.0	558.0	328	22
Oct	562.7	+20.3	-	-	7	-
Nov	564.5	+20.3	-	-	83,461	7,363
Dec	567.0	+20.3	571.0	551.5	59	-
Jan	569.5	+20.4	569.0	569.0	8,290	166
Mar	575.3	+20.4	579.0	561.0	4,407	1
Total					108,262	7,621

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	17.14	-0.07	17.33	17.10	25,991	28,371
Nov	17.25	-0.14	17.47	17.20	96,362	42,570
Dec	17.41	-0.13	17.60	17.36	62,484	11,974
Jan	17.53	-0.14	17.71	17.50	38,566	4,035
Feb	17.59	-0.14	17.81	17.60	20,912	1,528
Mar	17.68	-0.14	17.85	17.65	15,413	894
Total					401,077	91,082

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	16.17	-0.05	16.34	16.05	60,646	14,679
Dec	16.29	-0.05	16.46	16.20	30,155	2,955
Jan	16.38	-0.07	16.52	16.38	12,291	560
Feb	16.47	-	16.50	16.42	7,042	222
Mar	16.41	-0.04	16.50	16.41	6,396	50
Apr	16.43	-0.02	16.50	16.43	2,217	12
Total					123,687	18,604

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	48.00	-0.32	48.50	47.90	30,521	14,230
Nov	49.10	-0.30	49.64	49.00	25,422	5,622
Dec	50.35	-0.44	50.80	50.30	41,079	6,085
Jan	51.25	-0.37	51.75	51.15	26,290	3,047
Feb	51.75	-0.37	52.05	51.70	14,456	1,050
Mar	51.40	-0.32	51.55	51.40	11,435	353
Total					178,292	31,229

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	150.75	+2.00	152.00	150.00	34,804	7,318
Nov	153.75	+2.25	154.50	153.00	16,971	1,875
Dec	155.75	+1.75	156.75	155.25	20,393	1,417
Jan	157.50	+1.50	158.50	157.00	13,974	802
Feb	158.75	+2.00	159.00	158.50	4,910	150
Mar	158.50	+2.00	159.00	158.00	5,058	406
Total					104,405	12,080

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	1.805	-0.028	1.850	1.590	22,961	11,881
Nov	1.849	-0.011	1.870	1.845	25,796	5,885
Dec	2.070	-0.005	2.085	2.065	27,695	3,982
Jan	2.110	-0.005	2.125	2.110	14,868	1,730
Feb	2.045	-	2.055	2.045	13,045	1,522
Mar	1.995	+0.005	2.005	1.995	10,606	258
Total					159,919	26,138

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	45.15	-0.89	46.30	44.95	20,035	12,365
Nov	45.50	-0.52	46.15	45.25	19,290	5,165
Dec	52.40	-0.85	53.10	52.20	10,554	2,891
Jan	52.30	-0.80	52.80	52.15	6,216	996
Feb	52.95	-0.62	53.40	52.70	3,633	509
Mar	54.20	-0.27	54.20	54.05	1,043	128
Total					69,616	22,062

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	106.50	-0.10	106.50	106.50	97	5
Nov	107.05	-0.70	107.50	106.90	2,603	97
Jan	109.15	-0.60	109.50	108.90	1,879	102
Mar	111.15	-0.55	111.50	111.00	1,183	77
May	113.15	-0.55	113.50	113.10	1,348	31
Jul	115.00	-0.75	115.00	115.00	269	10
Total					7,302	322

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	382/6	+5/2	382/6	378/0	299	107
Dec	385/0	+4/2	385/4	380/6	47,936	8,533
Mar	403/2	+4/2	403/4	398/2	18,704	1,667
May	388/2	+4/6	389/6	385/0	2,638	238
Jul	359/4	+2/0	360/0	356/0	3,716	568
Sep	362/0	+3/0	362/0	360/0	127	2
Total					73,466	12,117

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	217/6	+1/4	218/2	218/2	2,285	1,615
Dec	217/4	+0/2	218/4	216/6	134,324	21,937
Mar	227/4	+0/2	228/4	226/4	38,730	4,058
May	234/6	+0/2	235/4	234/0	15,887	1,976
Jul	239/2	-	240/2	238/4	15,672	1,751
Sep	242/6	+0/2	244/0	242/4	1,115	87
Total					214,907	32,025

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	102.60	-0.30	-	-	31	8
Nov	104.75	-0.25	104.00	104.00	482	10
Jan	106.15	-0.20	-	-	388	-
Mar	108.25	-0.45	-	-	104	15
May	109.90	-0.60	-	-	52	31
Total					1,011	10

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	550/2	-4/6	555/0	548/2	1,448	1,444
Nov	555/2	+1/4	557/4	552/0	78,761	26,752
Jan	565/0	+1/6	567/2	561/6	17,815	2,280
Mar	574/6	+1/6	577/0	572/0	8,843	1,393
May	582/0	+1/0	585/0	579/4	5,282	332
Jul	588/4	+1/4	590/4	585/4	10,075	568
Total					126,669	33,199

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	25.85	+0.10	26.02	25.67	1,298	1,136
Oct	25.29	+0.10	25.50	25.08	17,057	3,756
Dec	24.74	+0.18	25.00	24.50	38,038	10,043
Jan	24.65	+0.18	24.80	24.30	7,369	1,534
Mar	24.32	+0.17	24.55	24.05	8,109	2,465
May	24.15	+0.20	24.30	24.00	4,735	672
Total					89,667	20,179

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	170.9	+1.3	171.3	169.4	1,523	892
Oct	166.4	+0.2	166.5	165.6	14,518	3,286
Dec	166.7	-	166.8	166.0	41,641	8,286
Jan	167.9	-0.1	168.2	167.5	9,847	1,464
Mar	170.8	-0.2	171.3	170.5	9,906	1,027
May	172.5	-0.5	173.4	172.5	5,719	538
Total					87,902	16,266

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	222.3	+2.8	221.5	220.0	1,391	62
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,391	62

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	1596	+15	1598	1585	295	12
Oct	1630	+5	1640	1630	791	27
Nov	1631	+11	1635	1630	133	53
Jan	1594	+11	1600	1590	617	55
Apr	1589	+14	1603	1595	389	27
Jul	1455	+5	-	-	100	10
Total					2,370	175

	Close	Prev
BFI	1548	1548

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,500-5,650 (5,450-5,550). Bismuth: min. 99.99%, tonne lots 3.75-4.00 (3.70-4.00). Cadmium: min. 99.5%, 150-165 (125-135) cents a pound. Cobalt: MB free market, 99.8%, 27-29 (24.50-25.00); 99.3%, 24.50-25.30 (21.80-22.50). Mercury: min. 99.99%, $ per 76 lb flask, 110-130. Molybdenum: drummed molybdic oxide, 3.75-3.85 (3.70-3.80). Selenium: min 99.5%, 3.35-4.55. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 43-53 (37-47). Vanadium: min. 98%, cif, 1.40-1.50. Uranium: Nuexco exchange value, 7.10.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	950	-16	957	945	30	23
Dec	987	+13	987	962	27,386	3,474
Mar	1022	+15	1022	995	33,474	2,315
May	1035	+16	1034	1006	12,175	424
Jul	1047	+15	1046	1026	5,630	62
Sep	1063	+16	1062	1036	9,242	143
Total					96,666	6,804

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1345	+29	1349	1303	41,997	3,978
Mar	1395	+30	1398	1353	14,158	656
May	1423	+28	1425	1393	4,117	122
Jul	1451	+28	1447	1419	2,688	-
Sep	1473	+28	-	-	1,289	-
Dec	1489	+28	-	-	4,790	-
Total					72,639	4,756

■ COCOA (ICCO) (SDR's/tonne)

Sep 16	Price	Prev. day
Daily	995.01	1020.19

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	4201	+24	4255	4210	1,679	230
Nov	4053	+13	4130	4015	11,360	2,210
Jan	4010	+21	4085	4005	14,431	1,104
Mar	3910	+12	3970	3915	7,311	380
May	3858	+15	3900	3860	1,969	273
Jul	3830	-	3870	3845	1,169	70
Total					36,986	4,267

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	224.25	+2.00	228.00	224.25	54	49
Dec	228.00	+1.45	232.00	226.10	23,177	7,513
Mar	231.20	+3.20	235.00	228.50	7,771	446
May	232.25	+3.25	235.75	231.75	3,118	125
Jul	233.00	+3.00	235.25	233.00	788	10
Sep	233.55	+2.56	238.00	235.50	370	-
Total					35,746	8,155

■ COFFEE (ICO) (US cents/pound)

Sep 10	Price	Prev. day
Comp. daily	207.15	202.10
15 day average	198.91	197.90

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.88	+0.05	-	-	1,724	154
Jan	11.82	-	-	-	-	-
Mar	12.80	-	-	-	90	-
Total					1,896	154

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	332.00	-0.40	332.00	331.00	3,725	447
Mar	333.00	+0.30	333.50	331.20	7,947	427
May	332.50	-	332.00	332.30	1,147	66
Aug	332.00	-0.40	332.00	331.80	787	31
Oct	315.50	-0.40	315.80	315.40	380	20
Dec	314.40	-0.40	-	-	4	-
Total					13,589	991

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	12.73	+0.07	12.78	12.59	24,792	5,475
Mar	12.64	+0.05	12.69	12.51	93,744	11,169
May	12.59	+0.05	12.62	12.47	13,886	1,199
Jul	12.47	+0.03	12.49	12.37	8,734	486
Oct	12.28	+0.05	12.29	12.10	3,576	373
Mar	11.82	+0.06	11.82	11.75	807	48
Total					145,549	18,749

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	69.95	+0.22	70.18	69.60	2,347	496
Dec	69.26	+0.30	69.44	68.70	27,209	6,541
Mar	70.65	+0.23	70.75	70.20	10,195	780
May	71.70	+0.23	71.90	71.46	5,355	248
Jul	72.45	+0.10	72.55	72.50	3,718	324
Oct	69.80	+0.18	-	-	430	45
Total					50,776	8,495

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	91.40	+3.70	91.50	88.75	12,427	515
Jan	94.65	+3.55	94.80	92.10	5,985	280
Mar	98.00	+3.05	98.15	98.00	4,013	197
May	101.10	+2.85	101.00	100.50	855	1
Jul	103.10	+2.15	103.45	101.50	497	1
Sep	105.10	+2.85	-	-	20	-
Total					24,113	999

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 20	Sep 19	month ago	year ago
2118.4	2112.2	2057.3	1595.4

■ CRB Futures (Base: 1967=100)

Sep 10	Sep.16	month ago	year ago
229.41	229.16	228.49	216.27

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	69.300	+0.675	69.475	68.775	28,377	9,150
Dec	68.775	+0.700	69.050	68.175	20,588	5,472
Feb	67.900	+0.450	67.975	67.450	12,590	1,864
Apr	68.900	+0.375	68.975	68.550	9,120	910
Jun	66.050	+0.250	66.150	65.850	2,033	67
Aug	65.650	+0.200	65.700	65.525	1,008	39
Total					73,696	17,589

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	36.850	-0.350	37.550	36.800	10,382	1,767
Dec	38.150	-0.200	38.800	37.900	11,874	1,547
Feb	39.150	-0.050	39.375	38.950	3,851	842
Apr	39.125	+0.075	39.300	38.950	2,388	282
Jun	44.200	-0.025	44.300	43.950	734	45
Aug	42.950	-0.050	43.100	42.925	93	7
Total					29,690	4,491

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	39.700	-0.650	40.400	39.375	7,372	1,227
Mar	39.600	-0.800	40.350	39.400	529	115
May	40.300	-0.725	40.800	40.300	143	13
Jul	41.700	-0.325	41.850	41.200	150	10
Aug	41.150	-	-	40.600	34	9
Total					8,228	1,374

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1575	45	94	13	46
1600	29	80	22	56
1625	18	68	36	68
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2500	46	105	28	76
2550	23	81	59	103
2600	8	61	89	136
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	484	561	31	141
3650	443	518	40	158
3700	403	487	50	177
■ COCOA LCE	Dec	Mar	Dec	Mar
975	49	98	37	52
1000	37	85	50	63
1050	21	63	84	51
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1600	63	-	33	41
1650	25	54	-	-
1700	13	39	93	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$15.12-5.19u	+0.225
Brent Blend (dated)	$15.78-5.80	+0.34
Brent Blend (Nov)	$16.18-6.20u	+0.24
W.T.I. (1pm est)	$17.34-7.36u	+0.22

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$171-174	-1
Gas Oil	$160-161	+2
Heavy Fuel Oil	$74-76	+1
Naphtha	$158-159	+2
Jet fuel	$170-171	+2

Petroleum Argus assessments

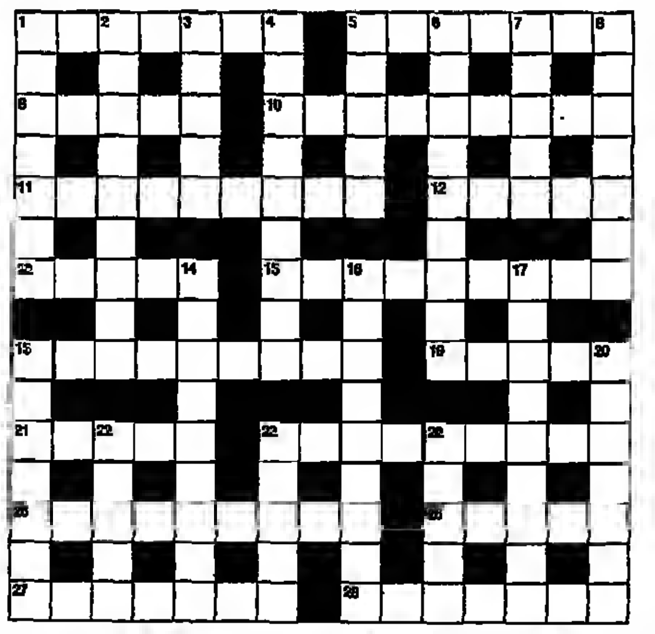
■ OTHER

Gold (per troy oz)‡	$393.50	+3.55
Silver (per troy oz)‡	560.0c	+16.5
Platinum (per troy oz.)	$415.75	+3.75
Palladium (per troy oz.)	$153.00	+0.75
Copper (US prod.)	126.0c	
Lead (US prod.)	38.25c	
Tin (Kuala Lumpur)	13.22m	+0.05
Tin (New York)	245.5c	+1.0
Cattle (live weight)†©	115.42p	-1.13*
Sheep (live weight)†♣©	87.30p	+0.25*
Pigs (live weight)©	74.91p	-1.52*
Lon. day sugar (raw)	$312.9	+0.2
Lon. day sugar (wte)	$339.3	-0.9
Tate & Lyle export	£312.0	+1.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	£180.0	
Rubber (Oct)♥	68.00p	
Rubber (Nov)♥	67.00p	
Rubber KL RSS No1 Oct	327.50m	+1
Coconut Oil (Phil)§	$635.0z	+12.5
Palm Oil (Malay.)§	$622.5t	+20
Copra (Phil)§	$403.0	-1.0
Soyabeans (US)	£158.0z	
Cotton Outlook 'A' index	75.05c	-0.15
Wooltops (64s Super)	485p	0

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov. t Oct. z Sep/Oct. v Sep. ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. ♣ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

No.8,564 Set by DOGBERRY



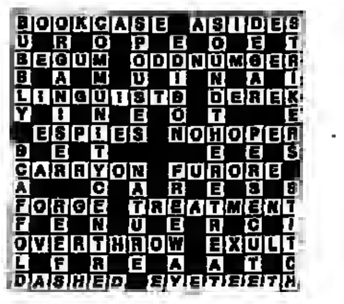
ACROSS

1 City flanked by surveillance men of a sort (7)
5 Junction revealing Aphrodite's origins in shellfish (7)
9 Grub right in the middle of hot stuff (5)
10 Explosive sort of discovery about soldiers' supporter (9)
11 Crowned head and monarch in season – the last two turned mushy (9)
12 To speak; not quite to utter (5)
13 Dwelling on the Rime of the Mariner? (5)
15 Actor, say – his material reflected on sculptor (9)
18 Something like 1,000 pound return in medium session (9)
19 Waste of a fight (5)
21 Succeed in attempt to turn on account (5)
23 Redeem out of pawn – point to horrified reaction (5,4)
25 Crippled and suspended outside – smart move! (9)
26 Motivation for excursion (5)
27 Had power to spin old coin without force (7)
28 Incipient inversion of an olefactory experience (7)

DOWN

1 Region where ale is repeatedly swilled (7)
2 What could make Rex more of a burrower (9)
3 Trump 4 articles (5)
4 Reliable printin' might adorn punk (6,3)
5 15 on ice to add spice (5)
6 Entertain endlessly, including Part 10 and thinking big (9)
7 Centre of mala culture (5)
8 Dentist usually starts splitting tooth in pieces (7)
14 Raise awareness of 8 points about the Netherlands (9)
16 Travelled up to pierce ungrateful daughter with instrument (4-5)
17 Spread in trashy paper held up by seaman (9)
18 Suppress introduction of surrogate parent (7)
20 Stop press: ship missed opening (7)
22 Two hold a medic by the feet (5)
23 Fit to gauge depth (5)
24 Died in market, rising to glory (5)

Solution 8,563



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Renewed setback as trading volume increases

By Terry Byland,
UK Stock Market Editor

Tha UK stock market suffered a renewed setback yesterday following losses in bond markets in Germany and the US. Most of the damage was done in the morning when bond markets turned nervous ahead of the announcement, expected this week, of the German money supply data. UK shares extended their losses later after Wall Street, the US dollar and Federal bonds opened lower on news of an unexpected widening in the US trade deficit in July.

The FT-SE 100 Share Index closed 41.8 points down at 3,037.3. Trading volume increased, swollen by a substantial sell programme from a leading London securities house. The programme, estimated at a worth of around £100m, took in sizeable deals in shares of such blue chips as GEC, Prudential Assurance, Sears, Barclays Bank and Lloyds Abbey.

The markets focus on the heavy fall yesterday morning in German bond futures appeared to bear out increasing concern that continental European funds have been sellers of UK stocks. But weakness in British government bonds pointed to worries over the outlook for domestic interest rates and inflation. Weakness in bond markets inevitably reflect fears thet last week's half point rise in UK base rates may soon be followed by a further rise if inflation fears continue to increase.

At the same time, trading statements from leading UK companies have been casting doubts over confident forecasts for a strong equity market performance in the final quarter of this year. Shares in Tesco, the supermarket group, made a cautious response to an interim trading report which drew attention again to margin pressures in the industry.

Stock index futures trading played a less direct role in yesterday's shakeout, the December contract on the FT-SE 100 Index closing fairly close to the cash market, after allowing for a large fair value premium. The FT-SE Mid 250 Index fell 23.5 points to 3,584.5.

Stock Exchange statistics disclosed that genuine investment activity was low on Monday, when the market bounced from its recent weaknass; retail business was worth only £950.9m, one of the first genuine daily totals below £1bn for many months. Saaq volume of 602.7m shares yesterday compared with 469.1m on Monday, with non-Footsie business making up around 60 per cent of the total.

Until the sell programme hit the market, trading appeared to be relatively slack. But it was difficult to identify the timing of tha programme, which, in accordance with Exchange rulings on large deals, did not appear on the trading screens until late in the day.

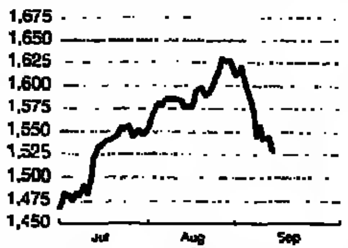
Market strategists admitted to some disappointment that the UK stock market appeared to be proving more vulnerable to interest rate concerns that expected. Some have argued thet the pace of economic recovery and in corporate profits and dividends would enable the market to shrug off the rises in interest rates which are associated with this stage of the economic cycle.

Analysts' estimates are still looking for a strong advance in the FT-SE 100 Share Index before the end of the year. On this basis, some market traders have urged clients to buy stocks during the present shakeout.

There was a muted response to the estimated annualised growth of 4.7 per cent in domestic M4 money supply in August. UBS commented to clients that the trend in net lending appeared to be broadly flat and that companies had been reducing gearing by borrowing from equity and bond markets in place of bank borrowing.

The market is expected to continue focusing on the prospects for interest rates in the US and in Germany, where the M3 money supply figures could present the next challenge to markets across Europe.

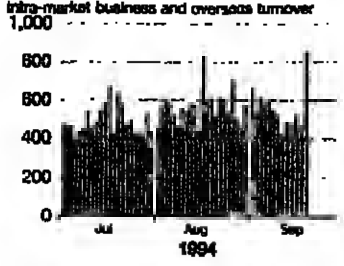
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3037.3	-41.8	FT Ordinary Index	2358.3	-31.2
FT-SE Mid 250	3584.5	-23.5	FT-SE-A Non Fins p/e	18.83	(19.01)
FT-SE-A 350	1534.8	-18.5	FT-SE 100 Fut Dec	3046.0	-35.0
FT-SE-A All-Share	1526.22	-17.42	10 yr Gilt yield	8.13	(9.07)
FT-SE-A All-Share yield	3.93	(3.89)	Long gilt/equity yld ratio:	2.31	(2.32)

Best performing sectors

1	Other Ser.& Bus.	+1.7
2	Engineering, Vehicles	+0.3
3	Extractive Inds.	+0.3
4	Household Goods	-0.2
5	Electricity	-0.2

Worst performing sectors

1	Tobacco	-3.1
2	Insurance	-2.4
3	Life Assurance	-2.0
4	Electronic & Elec	-2.0
5	Transport	-1.8

Mirror alerts TV stocks

The acquisition of a 14.9 per cent stake in Scottish Television by Mirror Group Newspapers sent a buzz through television stocks as investors moved swiftly to show their support of the move.

The stock was secured for tha Mirror at a significant premium to the share price – 520p – after a series of agency crosses. Three blocks of shares moved; one of 2m; one of 4.9m and one of 50,500.

Scottish soared on the Mirror'a move, pushing up 58 to 501 with 14m shares changing hands whila Mirror Group shares bounced 11 to 139p.

The City warmed to the Mirror's effort to broaden its base amid the vicious newspapar price competition and the good premium paid for Scottish fuelled interest in other television stocks.

Ms Chris Munroe at Hoare Govett said: "It is no surprise that the Mirror should take such action. Geographically too it is a very good fit considering the Mirror's interest in Scotland."

In the backwash of the Mirror move in the television sector, Yorkshire jumped 29 to 392p; Ulster added 37 to 720p and Grampian gained 29 to 354p.

Drugs firmer

Talk of a merger between Zeneca and Wellcome kept the fire burning for the two stocks which defied the black mood of yesterday's market and improved their prices.

Tha shares of both companies have traded actively in recent sessions with both being held up as potential bid targets. Zeneca gained 8 to 841p and Wellcome improved 14 to 699p.

The merger story excited market-making desks which continued to anticipate some significant move in the sector.

Airways busy

Shares in British Airways were heavily traded yesterday following a a profits downgrade from Merrill Lynch in the wake of mounting US-led price competition on trans-Atlantic routes.

Turnover ran to soma 4m trades with the shares sliding 6 to 374p. Merrill cut its profits forecast quite savagely from £480m pre-tax to £400, although the former figure was always at the top end of market expectations.

What looked to have mostly worried dealers was the fact the the profits reappraisal came from a US house said to have its ear close to the inner workings of the US airways business.

Enterprise Oil was the best performer among oil shares, as the market welcomed news of a promising oil discovery in the Norwegian sector of the North Sea. Enterprise and Esso Norge each have a 50 per cent stake in the discovery.

Oil analysts were enthusiastic about the discovery, but said further drilling, to determine the extent of the discovery, would have to be made before they could appraise their net asset values for Enterprise.

Enterprise shares settled marginally higher at 399p on turnover of 2m.

The regional electricity stocks staged a strong rally after initial weakness with dealers talking of further actual and rumoured share buy-backs taking place. South Wales announced it had bought in a further 500,000 shares at 810p a share, while there were suggestions that Midlands was about to embark on a buy-in programme. South Wales shares eased 3 to 809p while Midlands climbed 11 to 787p. Northern Electricity's restructuring programme saw its stock price move up 8 to 794p.

BT gave ground after negative comments from Kleinwort Benson, the shares sliding 5¼ to 374¼p and the partly-paids 6 off at 254½p.

Compel Group, the computer systems and services group, put on a creditable performance on its market debut, the shares, placed at 125p opened at 130p and eventually settled at 126p.

There was no real disappointment across the market with Tesco's interim results which came out at the top end of analysts' forecasts; the dividend was in line with expectations.

There were, however, some reservations about gross margins and sales, but these were not translated into big selling of Tesco shares which settled only 3 lower at 248p. Some dealers reported switching out of Sainsbury and into Tesco after the figures were released. Sainsbury shares dropped 9 to 427p, albeit in thin trade of 3.5m.

William Morrison retreated 6 to 139p ahead of interims expected tomorrow and which are expected to show profits up around 20 per cent at £45m-plus with the dividend increased by around 15 per cent.

T & N were resilient, closing unchanged at 224p ahead of a presentation by brokers Henderson Crosthwaite to investors in Frankfurt.

The company has an option to acquire up to 52.5 per cent of the Kolbenschmidt pistons business. The brokers said a rights issue to fund the purchase had been discounted by the market and pointed to T & N's "track record of effectively managing acquisitions."

The retailing sector included a handful of good performers despite the overall market weakness and persistent worries about possible further rises in UK interest rates in the short and medium term.

Storehouse advanced 4 to 206p after Kleinwort Benson Securities gave the stock a push on the view that the shares were undervalued.

Next edged up 2½ to 246p on heavy turnover of 3.2m following a reappraisal of the company's prospects in the wake of the recent interim figures.

Williams de Broe, the stockbroker was one of the company's strongest supporters, labelling the shares a buy and insisting "the stock's discount rating is unjustified."

Sears, on the other hand, suffered from a sizeable overhang caused by the stock's inclusion in a big programme executed in mid-session, in which a block of 3.9m shares were traded at 113p.

Reg Vardy stood out among motor distributors, rising 2 to 170p on the back of a bullish chairman's statement pointing to a 10 per cent jump in August car sales and trading results well ahead of last year.

BAA shed 12 to 473p with some 4m shares changing hands on modest profit-taking after the recent good run.

Eurotunnel lost 6 to 273p, hit by the general market weakness and further reflection of Monday's announcement of the late start-up for the Shuttle service.

Inspec Group moved through the market although the price held steady at 223p.

MARKET REPORTERS:
Steve Thompson,
Jeffrey Brown,
Christine Buckley

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (15).
CHEMICALS (1) Wolstenholme Rink, **DISTRIBUTORS** (1) Middlesex, **ELECTRNC & ELECT EQUP** (1) Thorpe (F.W.), **EXTRACTIVE INDS** (1) Anglovaal, **FOOD MANUF** (2) CPL Aromas, Matthews (B), **GAS DISTRIBUTION** (1) Flogas, **INVESTMENT COMPANIES** (2) First Pacific, Mauritius Fd, **LEISURE & HOTELS** (1) Zetters, **MEDIA** (2) Grampian TVA, Yorkshire Tyne-Tees TV, Do. Warrants, **SUPPORT SERVS** (1) Serna, **CANADIANS** (2).
NEW LOWS (199).
GILTS (64) **OTHER FIXED INTEREST** (4) **BANKS** (4) Bank of Scotland 9⅛pc Irrd Prf., Do. 9⅜pc Pf, Natl. Australia, Standard Chrtd 7⅜pc Pf, **BREWERIES** (2) Fuller S.T.A., Scottish & Newcastle, **BUILDING & CNSTRN** (11) **BLDG MATLS & MCHTS** (8) Caradon, Do. Cnv. Prf., Graham, Hepworth, Heywood Williams, Do. Cnv. Prf., Marley, Meyer Intl., Rugby Group, **DISTRIBUTORS** (7) Cowie, Diploma, Electrocomps, Inchcape, Lex Service, Litho Supplies, Pendragon, **DIVERSIFIED INDLS** (8) **ELECTRNC & ELECT EQUP** (3) BICC, Bowthorpe, Dowding & M., **ENGINEERING** (1) Glynwed, **FOOD MANUF** (2) Bols Wessanen, Danone, **HOUSEHOLD GOODS** (4) Stoddard, Tomkinsons, Vymura, Wyefield, **INSURANCE** (5) Heath (C.E.), Marsh & McLennan, New London Capital, **INVESTMENT TRUSTS** (22) **LEISURE & HOTELS** (2) Airtours Cv Pf, CannonGold, **LIFE ASSURANCE** (1) Transatlantic, **MEDIA** (3) Chime Comms, Pearson, Reed Intl, **OIL EXPLORATION & PROD** (1) Coplex Res, **OIL, INTEGRATED** (1) Chevron, **OTHER FINANCIAL** (4) Christie, Johnson Fry, King & Shaxson, Secure Trust, **OTHER SERVS & BUSNS** (1) Pittigrum, **PHARMACEUTICALS** (1) Proteus Intl, **PRTNG, PAPER & PACKG** (2) Bemrose, Ferguson Intl, **PROPERTY** (9) **RETAILERS, GENERAL** (7) Betterware, Body Shop, Carpetright, Country Casuals, Great Universal, Kleeneze, Rossbys, **SUPPORT SERVS** (5) Johnson Cleaners, MR Data Man, Pegasus, RCO, Sketchley, **TEXTILES & APPAREL** (1) Lamont, **TOBACCO** (1) BAT 12¼pc Uns Ln 2003/08, **TRANSPORT** (4) Brit Airway Cap 9¾pc Cnv, CSX, Fisher (J), Mayne Nickless, **AMERICANS** (5).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures moved sharply lower in heavier trading volume than on Monday but once again there was little real attempt at driving the cash market.

Tha FT-SE December contract closed at 3,046 for a near 10-point premium to tha cash market. The fair value premium stands at around 17 points.

Trading volume rose substantially on Monday'a depressed levels, jumping to 17,553 lots in what traders yesterday described as "steady business throughout tha trading day".

Activity was said to be fairly evenly divided among locals - independent traders - and the big brokers with the latter producing most of tha throughput when tha FT-SE December contract hit its high for tha day of 3,073 just before 3:30pm.

Opinions among traders on the immediate direction were mixed but if there was any sort of consensus it suggested that London equities could soon be ripe for a rebound. "We'll aither go through 3,000 or bounce back above 3,100," said one big trader yesterday.

Activity in traded options also improved, rising to 39,646 contracts, against 22,605 on Monday. FT-SE and Euro FT-SE accounted for more than half of total activity.

The most actively traded individual stock options were BP (2,689 lots), Hanson (1,418) and Shell (1,066).

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3072.0	3046.0	-35.0	3073.0	3032.0	19148	53878
Mar	-	3070.5	-33.5	-	-	0	845

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3590.0	-35.0	-	-	0	3391

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3582.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3436) £10 per full index point

	2850		2900		2950		3000		3050		3100		3150		3200	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Oct	198	12½	153½	19½	115½	31	82	47½	53½	70	33	99	18½	135	10½	178½
Nov	21½	25½	175½	36½	139½	46	107½	68½	78½	87	57	115	38½	147	25½	184
Dec	233½	33½	196½	62	160	86½	130½	87	100½	107	78	134	56	162½	42	197½
Mar	251	50½	216½	65	186	83½	158	105½	127	124	101	148	79½	176½	62½	210½
Jun†			279½	97			219½	134			168	182			123½	238

Calls 4,800 Puts 6,085

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2875		2925		2975		3025		3075		3125		3175		3225	
Oct	176	17	133	24½	94½	36	67	58	42½	83½	25½	116	14	154	7	198½
Nov	196	29½	158	42	125	57½	95	77½	69½	101	49½	129½	32	162½	19½	200
Dec	210	41½	174½	55½	142½	72½	113½	93	88	116½	66	144	48	175	33½	210
Mar			224½	83			164½	120½			114½	167			75½	225
Jun†			269	105			209½	141½			158½	184½			114	238

Calls 8,603 Puts 3,521 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3500		3550		3600		3650		3700		3750		3800		3850	
Dec			179½	80½	151	101½	126	125								

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Sep 20	Day's chge%	Sep 19	Sep 16	Sep 15	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3037.3	-1.4	3079.1	3065.1	3112.7	3001.8	4.15	7.07	16.72	99.63	1148.23
FT-SE Mid 250	3584.5	-0.7	3608.0	3618.1	3648.9	3429.0	3.48	5.67	21.25	95.61	1333.35
FT-SE Mid 250 ex Inv Trusts	3586.4	-0.6	3606.5	3614.2	3646.3	3445.5	3.63	6.13	18.82	98.97	1330.93
FT-SE-A 350	1534.8	-1.2	1553.1	1548.5	1570.2	1505.4	4.00	6.74	17.60	48.18	1186.40
FT-SE SmallCap	1863.97	-0.3	1870.23	1875.10	1879.89	1762.76	3.16	4.66	26.89	42.10	1444.81
FT-SE SmallCap ex Inv Trusts	1836.42	-0.2	1839.31	1844.27	1848.42	1764.77	3.34	5.17	24.61	43.20	1426.96
FT-SE-A ALL-SHARE	1526.22	-1.1	1543.64	1539.71	1559.98	1492.99	3.93	6.59	18.06	48.93	1200.09

■ FT-SE Actuaries All-Share

	Sep 20	Day's chge%	Sep 19	Sep 16	Sep 15	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(16)	2699.71	-1.2	2732.82	2705.93	2745.59	2231.70	3.41	5.07	24.94	56.67	1076.47
12 Extractive Industries(4)	4007.74	+0.3	3996.75	3930.51	3950.39	3166.00	3.20	5.11	24.15	55.32	1093.99
15 Oil, Integrated(3)	2631.80	-1.8	2674.82	2651.08	2685.35	2166.00	3.58	5.71	21.79	59.99	1071.77
16 Oil Exploration & Prod(11)	1956.76	-0.6	1967.88	1959.28	1968.76	1814.40	2.12	‡	‡	38.03	1132.16
20 GEN MANUFACTURERS(266)	1895.42	-1.2	1919.83	1925.35	1946.46	1870.60	4.01	5.02	24.16	60.71	966.40
21 Building & Construction(33)	1076.63	-0.7	1084.67	1098.16	1118.41	1138.10	3.60	3.04	25.58	25.85	840.10
22 Building Matls & Merchs(32)	1805.34	-1.5	1832.52	1852.49	1882.63	1792.80	4.08	4.83	25.54	54.12	849.09
23 Chemicals(23)	2426.38	-0.7	2444.63	2437.85	2458.02	2195.20	3.81	4.20	30.00	75.83	1075.01
24 Diversified Industrials(16)	1812.18	-1.8	1844.76	1854.57	1871.06	1936.40	5.05	5.13	23.41	80.46	930.60
25 Electronic & Elect Equip(34)	1898.40	-2.0	1936.81	1936.24	1944.09	2120.20	3.87	6.65	17.94	67.28	928.33
26 Engineering(70)	1817.30	-0.8	1831.95	1829.78	1844.18	1633.30	3.13	4.92	24.07	44.65	1038.12
27 Engineering, Vehicles(12)	2299.12	+0.3	2292.47	2274.15	2297.94	1904.70	4.35	2.42	58.61	72.97	1114.84
28 Printing, Paper & Pckg(26)	2804.48	-1.0	2832.57	2854.55	2882.30	2405.90	3.05	5.29	22.14	70.24	1103.48
29 Textiles & Apparel(20)	1644.35	-0.8	1658.05	1647.30	1665.15	1579.30	4.09	6.66	18.38	44.09	928.16
30 CONSUMER GOODS(97)	2704.11	-0.9	2729.40	2723.52	2769.14	2758.40	4.39	7.46	15.51	101.91	932.86
31 Breweries(17)	2187.69	-1.1	2223.05	2231.94	2260.30	2067.30	4.80	7.78	15.59	81.03	984.48
32 Spirits, Wines & Ciders(10)	2770.06	-1.1	2801.86	2803.95	2849.39	2803.50	4.00	6.94	16.69	89.92	928.59
33 Food Manufacturers(23)	2318.65	-1.0	2342.60	2350.43	2361.03	2310.40	4.16	7.84	14.85	75.77	874.41
34 Household Goods(13)	2443.18	-0.2	2447.49	2441.59	2459.15	2563.20	3.69	7.42	16.13	55.76	872.18
36 Health Care(21)	1659.65	-0.3	1664.67	1663.59	1669.90	1712.10	3.01	3.25	43.21	36.10	959.62
37 Pharmaceuticals(12)	2982.12	-0.2	2987.62	2975.47	3055.42	3025.30	4.42	7.16	16.12	125.16	854.16
38 Tobacco(1)	3422.75	-3.1	3531.81	3464.69	3531.61	3970.50	6.34	10.04	10.69	217.07	780.76
40 SERVICES(221)	1911.16	-1.1	1932.42	1933.85	1956.34	1889.30	3.23	6.31	19.13	46.03	937.46
41 Distributors(31)	2521.84	-1.4	2558.29	2563.96	2569.02	2715.40	3.61	7.09	16.63	65.94	871.56
42 Leisure & Hotels(25)	2027.79	-1.3	2056.36	2057.58	2075.46	1932.20	3.46	4.80	24.63	53.44	1000.46
43 Media(39)	2784.29	-1.0	2813.06	2810.61	2846.68	2495.20	2.48	5.31	21.95	65.05	967.26
44 Retailers, Food(16)	1823.20	-1.4	1848.73	1838.27	1860.29	1803.90	3.56	8.66	14.30	46.77	1087.84
45 Retailers, General(45)	1613.37	-0.7	1624.71	1634.00	1631.28	1660.60	3.26	6.70	18.56	37.80	860.56
48 Support Services(41)	1552.43	-0.8	1562.34	1561.27	1562.78	1811.30	2.71	6.13	19.30	30.26	942.78
49 Transport(16)	2243.76	-1.6	2284.65	2283.82	2310.41	2240.60	3.75	5.63	20.58	57.46	880.41
51 Other Services & Business(8)	1309.84	+1.7	1287.30	1296.03	1296.56	1280.00	3.57	2.13	60.00†	23.00	1122.58
60 UTILITIES(36)	2379.67	-0.7	2396.22	2379.84	2408.09	2334.20	4.42	7.90	15.41	73.42	916.65
62 Electricity(17)	2516.61	-0.2	2524.15	2506.16	2515.09	2084.10	3.84	6.76	12.22	83.48	1047.81
64 Gas Distribution(2)	1998.69	-0.7	2012.35	1977.17	1989.47	2147.90	6.00	‡	‡	66.79	913.42
66 Telecommunications(4)	1946.62	-1.0	1966.26	1964.95	2002.32	2094.40	4.24	8.08	15.06	50.22	830.12
68 Water(13)	1837.24	-1.0	1856.57	1860.51	1850.38	1984.30	5.29	12.92	8.44	69.35	918.42
69 NON-FINANCIALS(636)	1650.21	-1.0	1667.46	1664.40	1685.79	1609.56	3.91	6.38	18.83	49.38	1165.60
70 FINANCIALS(104)	2143.11	-1.6	2178.06	2161.29	2156.53	2163.70	4.48	8.60	13.18	61.14	849.55
71 Banks(10)	2779.43	-1.8	2829.62	2795.29	2851.39	2628.90	4.33	9.64	11.81	114.94	835.23
73 Insurance(17)	1202.78	-2.4	1232.86	1220.52	1241.54	1447.10	5.36	9.81	11.65	48.55	821.80
74 Life Assurance(6)	2355.51	-2.0	2403.86	2368.35	2400.51	2570.00	5.42	7.72	15.92	88.80	896.36
75 Merchant Banks(6)	3062.64	-0.6	3082.54	3093.46	3062.38	2987.80	3.37	10.78	10.80	84.35	923.67
77 Other Financial(24)	1901.20	-0.9	1918.05	1944.29	1959.57	1730.10	3.81	8.25	14.46	53.72	1014.41
79 Property(41)	1449.44	-0.3	1454.12	1463.16	1478.80	1589.30	4.18	4.31	29.31	39.60	827.99
86 INVESTMENT TRUSTS(124)	2785.67	-1.2	2819.29	2829.05	2853.36	2526.20	2.21	1.93	52.23	51.20	936.08
89 FT-SE-A ALL-SHARE(866)	1526.22	-1.1	1543.64	1539.71	1559.98	1492.99	3.93	6.59	18.06	48.93	1200.09

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3078.7	3058.2	3063.1	3048.0	3050.8	3049.5	3036.8	3038.0	3035.1	3078.7	3031.7
FT-SE Mid 250	3606.8	3586.3	3597.2	3596.0	3587.1	3587.7	3585.2	3585.3	3582.6	3606.7	3582.1
FT-SE-A 350	1552.9	1544.1	1545.5	1538.6	1540.1	1539.6	1534.4	1535.1	1533.6	1552.9	1532.2

Time of FT-SE 100 Day's high: 8.30am Day's low: 3.57pm. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1024.3	1022.0	1023.3	1012.6	1012.6	1013.3	1013.3	1018.7	1016.2	1015.9	1023.4	-7.5
Pharmaceuticals	2963.4	2937.7	2946.5	2947.0	2958.3	2961.8	2957.4	2958.2	2955.0	2953.9	2958.9	-5.0
Water	1845.7	1831.6	1830.1	1821.4	1825.5	1826.6	1826.4	1826.3	1832.3	1834.5	1854.1	-19.6
Banks	2865.0	2847.2	2845.8	2830.0	2830.1	2829.1	2817.2	2818.8	2813.0	2813.7	2854.5	-40.8

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The Financial Times Limited 1994. All rights reserved. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1994. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,800	332½	+1½
ASDA Group†	8,700	67	
Abbey National†	3,200	381	-10
Albert Fisher	81	51	
Allied Domecq†	888	580	-8
Anglian Water	178	530	-5
Argos	226	330	-5
Argyll Group†	3,300	284	-2
Arjo Wiggins†	8,000	251	-7
Assoc. Brit. Foods†	27	558	-5
Assoc. Brit. Ports	457	275	-2
BAA†	4,200	473	-12
BAT Inds.†	3,800	408	-13
BET	7,400	103	-1
BICC	879	371	-7
BOC†	638	723	-5
BP†	9,400	410	-7
BPB Inds.	2,000	277	-7
BT†	5,800	374½	-6½
BT (P/Paid)	3,090	254½	-6
BTR†	7,400	307½	-8
Bank of Scotland†	2,200	186½	-2½
Barclays†	3,700	578	-14
Bass†	583	542	-5
Blue Circle†	3,300	268	-7
Booker	245	434	-10
Boots†	846	520	-2
Bowater†	342	470	-5
Brit. Aerospace†	1,600	471	-8
British Airways†	4,200	373	-7
British Gas†	9,600	301	-2
British Land	538	371	+3
British Steel†	3,200	155	-1½
Bunzl	287	162	-2
Burmah Castrol†	48	885	-7
Burton	978	59½	-1
Cable & Wire†	4,200	404	-1½
Cadbury Schweppes†	2,100	463	+1
Caradon†	3,500	256	-14
Carlton Comms.†	800	829	-21
Coats Viyella	6,400	205	-3
Comm. Union†	984	501	-17
Cookson	555	242	-3
Courtaulds†	1,200	471	-8
Dalgety	38	458	-3
De La Rue†	644	924	-11
Dixons	511	192	
Eastern Elect.	2,000	777	+8
East Midland Elec.	359	735	-2
Eng China Clays	671	376	+3
Enterprise Oil†	2,000	399	+1
Eurotunnel Units	137	273	-6
FKI	2,300	171	-1
Fisons	6,500	121	
Foreign & Col. I.T.	574	130	-2
Forte†	3,200	213	-6
Gen. Accident†	482	550	-17
General Elect.†	7,300	281	-9
Glaxo†	2,700	567	-5
Glynwed	98	331	-3
Granada†	1,600	483	-5
Grand Met.†	2,800	401	-8
GUS†	1,800	525	-5½
GRE†	668	183	-5
GKN†	579	605	-3
Guinness†	3,600	462	-1
HSBC (75p shs)†	2,500	709	-5
Hammerson	34	324	-1
Hanson†	6,600	239	-3½
Harrisons Crosfield	204	169	-2
Hays	829	287	+6
Hillsdown	1,700	180	
IMI	82	298	
ICI†	1,100	834	-8
Inchcape†	1,800	407	-9
Johnson Matthey	4	564	+2
Kingfisher†	1,600	482	+3
Kwik Save	32	602	-2
Ladbroke†	1,900	158½	-½
Land Securities†	781	595	-5½
Laporte	80	752	-3
Legal & General†	820	446	-11
Lloyds Abbey	1,600	348	-7
Lloyds Bank†	5,000	547	-9
LASMO	3,000	156	-2
London Elect.	947	705	+5
Lonrho	546	134	
Lucas	2,100	197	+4
MEPC†	811	424	+1
MFI	1,900	138	
Manweb	99	827	-6
Marks & Spencer†	2,700	404	-4½
Midlands Elect.	1,000	787	+11
Morrison (Wm.)	778	139	-6
NFC	573	183	-2
NatWest Bank†	2,600	482½	-9½
National Power†	1,200	460½	-8½
Next	3,200	246	+2½
North West Water†	912	532	-11
Northern Elect.	156	794	+8
Northern Foods†	412	205	-4
Norweb	374	786	-3
Pearson†	1,000	664	-19
P & O†	1,000	645	-10
Pilkington	9,900	189½	-2
PowerGen†	385	538	-4
Prudential†	4,600	308	-7
RMC†	133	905	-22
RTZ†	1,800	885	+2
Racal	560	232	-1
Rank Org.†	1,600	396	-8
Reckitt & Colman†	350	581	-1
Redland†	709	408	-7
Reed Intl.†	1,200	726	-15
Rentokil†	897	233	-1
Reuters†	2,000	471	-6
Rolls Royce†	5,800	179	-3
Ryl Bk Scotland†	812	406	-11
Royal Insurance†	2,700	271	-9
Sainsbury†	3,500	427	-9
Schroders†	182	1536	-10
Scottish & New.†	1,100	480	-7
Scot. Hydro-Elec.	575	370	+1
Scottish Power†	2,500	387½	+1½
Sears†	8,100	111½	-3
Sedgwick	5,800	100	-2
Seeboard	895	423	-3
Severn Trent†	3,300	545	-2
Shell Transport†	3,000	706	-12
Siebe†	619	536	-15
Slough Ests	540	226	-1
Smith (W.H.)	1,300	471	-2
Smith & Nephew†	2,200	146	-1¼
SmKl Beecham†	1,800	424	-5
SmKl Beecham Uts.†	1,300	384	-3
Smiths Inds.	410	430	-4
Southern Elect.†	369	749	-1
South Wales Elect.	1,200	809	-3
South West Water	4	528	-5
South West. Elect.	153	786	+2
Southern Water	859	582	-1
Standard Chartd.†	1,200	258	-2
Storehouse	412	206	+4
Sun Alliance†	812	315	-6
T&N	2,000	224	
TI Group†	1,500	359	-8
TSB†	2,700	218	-6
Tarmac	1,300	138	-1
Tate & Lyle	170	441	-3
Taylor Woodrow	798	128	-1
Tesco†	8,000	248	-3
Thames Water†	1,500	504	-8
Thorn EMI†	1,900	988	-20
Tomkins†	3,000	223	-2
Trafalgar House	5,500	80	-½
Unigate	507	350	
Unilever†	1,800	1102	-19
United Biscuits†	1,000	310	-5
Utd. Newspapers	314	499	-9
Vodafone†	2,800	183½	
Warburg (SG)†	1,200	731	-7
Wellcome†	2,100	699	+14
Welsh Water	455	646	-15
Wessex Water	133	608	-2
Whitbread†	380	526	-8
Williams Hldgs.†	638	325	-10
Willis Corroon	2,100	155	+1
Wimpey	828	143	-3
Wolseley†	1,900	740	-5
Yorkshire Elect.	447	737	+1
Yorkshire Water	434	524	-7
Zeneca†	2,400	841	+8

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Jan	Apr	Puts Oct	Jan	Apr
Allied Domecq	540	28½	-	-	7½	-	-
(*558)	580	6½	-	-	36	-	-
Argyll	280	21½	28	35	5	12½	18
(*293)	300	5	17	25	14½	23	20
ASDA	60	5	11	12½	1½	3	4
(*67)	70	3	5½	7	5½	0	9
Brit Airways	360	22½	32½	42½	8½	18	20½
(*373)	390	7	18	28	23	32	36½
[illegible]	420	15	30½	38	12½	22½	20
(*424)	460	4½	13½	22	39	47½	53
Boots	500	28½	48	51½	5½	16	23½
(*520)	550	5½	16½	28½	34½	44	50
BP	390	27½	37½	44½	5	12	17
(*408)	420	8½	20½	26½	16	26½	31½
British Steel	140	10	21½	25½	1½	5	6½
(*155)	160	5	10	14½	9½	13½	15½
Bass	500	48½	56½	61	4½	16	28½
(*539)	550	13½	24½	35½	26	36	42
Cable & Wire	390	26½	38½	50	9	19½	26½
(*402)	420	9½	24½	35½	26	36	42
Courtaulds	460	24	37	47	8½	21	25½
(*470)	500	7	17½	28	35	44½	49
Comm Union	463	19½	36	42½	11	18½	30½
(*499)	543	3½	18½	21	47½	50½	63
ICI	800	50	73	86	8½	25	37
(*835)	850	19½	44	57	31	48	61½
Kingfisher	460	31½	47	59	8	17	24
(*480)	500	12	25	38½	27	37	43½
Land Secur	550	53	59½	70½	1½	6	6½
(*597)	600	15	26½	38½	14½	25	20
Marks & S	390	21½	30	38½	5½	12½	16½
(*403)	420	8½	15½	24	21	28	31½
NatWest	460	32½	48	55	7½	16½	28
(*482)	500	11	26½	34	26½	34½	47½
Sainsbury	420	19½	31½	42½	12	23	28½
(*426)	460	4	14½	25	38	46½	51
Shell Trans.	700	15½	32	41½	19	28	39½
(*706)	750	2½	15	20½	60	62½	72½
Storehouse	200	11½	17½	22	4½	9	13
(*205)	220	3	7½	12½	17½	21	24½
Trafalgar	80	11	13½	15½	2	4½	5½
(*88)	90	3½	7½	9½	5½	8	10½
Unilever	1100	28	80	70	23	42	56
(*1101)	1150	18½	27	46½	56½	71	85½
Zeneca	800	52½	75	87	6½	18½	32½
(*840)	850	21	46½	57½	26	39½	56½
Option		Nov	Feb	May	Nov	Feb	May
Grand Met	390	26	34½	41½	11½	22	25½
(*400)	420	11½	19½	27½	28	38½	43
Ladbroke	140	23	28	31	2½	5	8½
(*157)	160	8½	18	18½	10½	14	17½
Utd Biscuits	300	18½	28	30	10½	15½	24
(*310)	330	5	18½	17	31	34	42½
Option		Sep	Dec	Mar	Sep	Dec	Mar
Fisons	120	8½	11	14	3	5	11½
(*121)	130	2	7	9½	11½	15½	17½
Option		Nov	Feb	May	Nov	Feb	May
Brit Aero	460	31½	48	58	22	31½	40½
(*470)	500	14½	28	39½	46	55½	63½
BAT Inds	390	33	45	50½	9	14	24
(*409)	420	16	27½	33½	22½	28	39
BTR	300	19½	31½	35	8½	14½	20
(*307)	330	7½	17	22	27½	31½	37½
Brit Telecom	360	25	29	30	6½	14½	17½
(*373)	390	9	14	21	22½	31½	34
Cadbury Sch	460	20½	33½	39	14½	21	29
(*461)	500	0	16½	21½	42½	45½	53
Eastern Elec	750	55½	74½	86	23½	36	45½
(*773)	800	29½	49	62½	48½	63	71
Guinness	460	17½	28	36½	18	24½	32
(*460)	500	5	13½	20½	49	52	58
GEC	280	13½	18	23½	9½	14½	17
(*281)	300	6½	10½	15	22½	25½	28½

Option		Calls Nov	Feb	May	Puts Nov	Feb	May
Hanson	220	24	27	29½	2½	5½	8½
(*239)	240	16½	14½	10	9	14	17½
Lasmo	154	13	-	-	8	-	-
(*156)	180	3½	7	10	27½	29½	31
Lucas Inds	180	20½	24½	20	5½	9	12½
(*196)	200	8	14½	18½	18	19½	23
P & O	600	81	77	85½	8	16½	28½
(*645)	650	28	48	56½	26	36½	51½
Pilkington	180	17½	19½	24½	5	9	11½
(*189)	200	6½	10½	14½	16	20½	23½
Prudential	300	16½	24	28	11	16	22
(*308)	330	0	11	15	31	34	40½
RTZ	850	53½	78	87½	17½	28½	44½
(*885)	900	24	48	61½	43	54	69
Redland	460	43½	54½	63	8	14½	28½
(*497)	500	10	31½	41½	20	32	47½
Royal Insce	260	22½	30½	36	9½	14	19
(*270)	280	12	20½	26	15	24	30
Tesco	240	18½	22½	28	7½	13	17
(*248)	260	6½	13	16½	19½	24	28
Vodafone	183	11½	10	-	9	13½	-
(*183)	200	5	8½	18	20½	24	28
Williams	300	31	38	43½	3½	6½	12
(*323)	325	13½	-	-	12½	-	-
Option		Oct	Jan	Apr	Oct	Jan	Apr
BAA	450	30	37	47½	4½	11½	14½
(*472)	475	13½	22½	32	14	22	26
Thames Wtr	500	18½	30	38½	13	27½	31
(*503)	550	3½	13	19½	50	61	63
Option		Sep	Dec	Mar	Sep	Dec	Mar
Abbey Natl	390	8½	24½	32	7½	17	27
(*390)	420	1½	11½	19½	32½	36½	46
Amstrad	30	1½	3½	4½	1½	3½	4½
(*30)	35	1	2	2½	0	7	8
Barclays	550	31	60½	62½	1½	13	24
(*578)	600	2½	23½	38½	25½	36	50
Blue Circle	260	12	23½	30	2½	9½	16
(*267)	280	8½	14	20½	15½	21½	26½
British Gas	300	8	14	22	5½	16	20
(*301)	330	1	5½	11	30½	38½	41
Dixons	180	14	23½	28½	1½	9	12
(*191)	200	2	13	16½	11½	19	22½
Hillsdown	160	21	24	28	1	3½	5½
(*179)	180	1½	10½	16	5	11	12½
Lonrho	130	6½	13½	17	2½	7	11
(*134)	140	2	8	12½	6	13	16½
Natl Power	460	13½	30	41	5½	21½	28
(*466)	500	1	13	23½	36	45	50
Scot Power	380	29½	43	50	1½	10	14
(*386)	390	7	26	33½	8½	22	28½
Sears	110	4	9	11½	2	5½	7
(*112)	120	1	5	8½	9½	12	13½
Forte	200	15	21	28½	1½	6½	10½
(*212)	220	2	11	15½	9½	17½	21½
Tarmac	130	11	10½	19	1½	7½	10½
(*137)	140	3½	11	14½	5	13½	15½
Thorn EMI	950	45	73	88	2½	19½	33
(*987)	1000	8½	43½	57½	30	41	57
TSB	200	16½	25	29½	1	5½	19½
(*216)	220	3½	13	18	7	13½	20½
Tomkins	220	7	17	22½	4½	10½	14½
(*223)	240	1½	6	13½	19	22½	26½
Wellcome	650	53	77½	87	1½	17½	30
(*698)	700	14	48	67	14½	38	52
Option		Oct	Jan	Apr	Oct	Jan	Apr
Glaxo	550	32½	54½	68	13½	25½	37½
(*567)	600	10½	38½	40	43	53½	65½
HSBC 75p shs	700	38	63½	82	24	42½	64
(*709)	750	15	39	58½	54	70½	93½
Reuters	482	22	-	-	10½	-	-
(*471)	475	15	-	-	18½	-	-
Option		Nov	Feb	May	Nov	Feb	May
Rolls-Royce	160	24½	28½	31½	2½	5½	8½
(*178)	180	11½	16½	20	9½	14	17½

* Underlying security price. Premiums shown are based on closing offer prices. September 20 Total contracts: 39,564 Calls: 21,053 Puts: 18,511

FT GOLD MINES INDEX

	Sep 19	% chg on day	Sep 16	Sep 15	Year ago	Gross div yield %	52 week High	Low
Gold Mines Index (36)	2204.08	+1.3	2176.08	2161.61	1664.92	1.95	2367.40	1664.92
■ Regional Indices								
Africa (18)	3338.39	-1.9	3402.88	3407.93	2256.31	4.12	3487.66	2208.10
Australasia (6)	2554.53	-0.4	2565.12	2582.64	1860.46	1.98	3013.89	1829.55
North America (12)	1805.78	+3.9	1742.57	1715.37	1467.14	0.71	2039.65	1459.45

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Sep 20: 272.5 ; day's change -1.9 points; Year ago: 174.9 † Partial. Latest prices unavailable for this edition.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	68	2
Other Fixed Interest	0	4	11
Mineral Extraction	53	72	73
General Manufacturers	66	205	374
Consumer Goods	23	66	98
Services	40	166	291
Utilities	8	29	8
Financials	39	141	166
Investment Trusts	21	271	174
Others	37	44	26
Totals	287	1,066	1243

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	September 12	Expiry	December 8
Last Dealings	September 23	Settlement	December 22

Calls: Blenheim, Lucas Wts, Royal Bk Scot, Tullow Oil, United Energy. Puts: Tullow Oil. Puts & Calls: Division Grp, United Energy, First Nat Fin, Next.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	19.5	89	77½	Baillie G Shn Wts	77½		-	-	-	-
100	F.P.	16.1	102	95	Beacon Inv Tst	95	-1	-	-	-	-
-	F.P.	1.52	48	39	Do. Warrants	40		-	-	-	-
§125	F.P.	18.2	130	125	Compel	126		WN4.0	2.1	4.0	12.2
-	F.P.	1.30	1½	1	Cont'l Foods Wts	1¼		-	-	-	-
-	F.P.	24.8	62	61	Emerging Mkts C	62	+1	-	-	-	-
120	F.P.	21.1	120	118	Independent Parts	118	-2	LN4.0	2.1	4.2	14.3
-	F.P.	-	77	55	JF Fl Japan Wts	55		-	-	-	-
-	F.P.	26.7	67	35	‡Magnum Power	64		-	-	-	-
23	F.P.	10.6	31	29	Orbis	29		-	-	-	-
-	F.P.	0.56	17	5½	Panther Wrts.	16		-	-	-	-
-	F.P.	0.82	40	26	Petroceltic	26		-	-	-	-
-	F.P.	3.15	44	27	Suter Wts 98/04	37	-3	-	-	-	-
-	F.P.	116.0	379	375	Templeton E New	375	-1	-	-	-	-
-	F.P.	12.9	212	192	Do. Wrts. 2004	208	-1	-	-	-	-
-	F.P.	2.24	35	28	Tops Ests Wts	28		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	Low	Stock	Closing price p	+or-
475	Nil	4/10	59pm	28pm	Commercial Union	28pm	-17
360	Nil	21/10	48pm	13pm	EMAP	13pm	
252	Nil	11/11	34pm	18pm	Weir	18pm	-2

FINANCIAL TIMES EQUITY INDICES

	Sep 20	Sep 19	Sep 16	Sep 15	Sep 14	Yr ago	*High	*Low
Ordinary Share	2358.3	2389.5	2388.1	2426.2	2397.4	2324.8	2713.6	2240.6
Ord. div. yield	4.36	4.30	4.30	4.24	4.29	4.00	4.46	3.43
Earn. yld. % full	6.25	6.13	6.13	6.04	6.11	4.71	6.25	3.82
P/E ratio net	17.67	17.41	17.41	17.68	17.47	27.06	33.43	17.41
P/E ratio nil	17.09	18.00	18.00	18.28	18.06	25.00	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2391.1	2375.7	2379.9	2367.2	2368.2	2367.0	2357.8	2360.3	2354.4	2391.4	2354.4

	Sep 20	Sep 19	Sep 16	Sep 15	Sep 14	Yr ago
SEAQ bargains	24,355	24,512	24,746	24,238	24,312	26,172
Equity turnover (£m)†	-	850.6	1193.7	1180.6	1237.5	1130.5
Equity bargains†	-	26,641	27,771	27,658	26,700	29,515
Shares traded (ml)†	-	827.0	486.4	521.3	477.8	471.3

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£29[illegible]	-[illegible]	£25[illegible]	£20[illegible]	6,273	2.3	ф
ANZ A$		191	+2	278¾	179¼	2,542	4.9	28.9
Abbey National	†N□	361xd	-10	523	361	5,129	5.0	13.1
Allied Irish I£	♣†N□	244xd	-1	314	234	1,613	5.2	9.4
Anglo Irish I£	♣N□	57	—	*70	50	166.2	7.8	10.4
Asahi Y		707½	+35¾	818¼	628	16,416	0.8	ф
Banco Bil Viz Pts		£14[illegible]	-¾	£16⅞	£14[illegible]	3,443	5.5	6.7
Banco Sant Pts		£26⅛	—	*£30½	£23¾	3,948	2.3	9.1
Bk Ireland I£	♣□	281	+1	*316	246	1,228	4.8	8.1
Bank Scotland	♣N□	196¼	-2½	247	172½	2,293	8.3	16.1
9¼pc Pf		111	-½	141½	111	111.0	10.4	-
6¾pc Pf		118	-1	148½	118	118.0	10.8	-
Barclays	♣†N□	578xd	-14	640	487	9,405	3.8	17.9
Dai Ichi Kan Y		£11⅞	+⅛	£12[illegible]	£10[illegible]	35,033	2.9	-
Deutsche DM		£289[illegible]	-6½	£344¼	£270⅞	13,637	2.4	-
Espirito Santo		£9[illegible]	-[illegible]	*£13⅞	£8[illegible]	208.9	3.9	4.9
First Nat Fin	N□	73½	-½	*90	60	124.1	2.6	-
6.3pc Cv Pf		77	—	*90	77	5.18	10.2	-
7pc Cv Pf		184	—	171	123	63.6	6.5	-
Fuji Bank Y		1349¼	+23	1549¼	1152½	39,019	0.4	ф
HSBC HK	†N□	728xd	-9	1133	680	12,740	4.2	10.5
HSBC (75p Shs)	†N□	709xd	-8	1113	680	6,026	4.3	10.3
Lloyds	†N□	547xd	-9	680	516	7,063	5.3	10.6
Mitsubishi Y		£15[illegible]	+[illegible]	£18[illegible]	£15[illegible]	45,600	0.3	ф
Mits 1st & Bk Y		980½	+24¼	1163¼	657½	11,509	0.8	14.9
Mitsui Tst & Bk Y		694½	+10	679	514	6,320	0.8	22.9
Nat Aust A$	†	466	-4	620¼	466	6,632	5.7	10.2
NatWest	†N□	482½xd	-9½	622	421	8,033	3.0	6.0
Ottomane FFr		£21⅛	—	£33	£21¼	166.6	8.7	ф
Rl Bk Scotland	♣†N□	400	-11	520	377½	3,252	3.7	16.4
Sakura Y		£8[illegible]	+[illegible]	£9[illegible]	£8[illegible]	28,397	0.6	51.8
Sanwa Y		£12[illegible]	+⅛	£15¾	£11⅞	35,786	0.5	-
Standard Chartd	†N□	258xd	-3	*358¼	223	2,478	3.1	6.6
7 3/8pc Pf		82¼xd	-½	108½	82⅛	82.2	11.2	-
Sumitomo Y		£11[illegible]	+[illegible]	£16⅛	£11½	27,504	0.0	24.9
Sumitomo 1st Y		906½	+24	1146½	625	11,301	0.6	ф
TSB	†N□	216xd	-6	291	197	3,307	4.7	10.9
Tokai Y		£7[illegible]	+[illegible]	£9	£6[illegible]	15,422	0.0	46.4
Toyo Tst & Bk Y		720¼	+10	852	586¼	5,661	0.7	62.3
Westpac A$		215	—	280	184	3,913	2.5	ф
Yasuda Tst Bk Y	‡	536¼	+15½	656	442	5,842	0.0	45.6

BREWERIES

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs	□	3¼	—	18¼	3¼	12.1	-	-
Bass	†N□	542	-5	619	485	4,728	4.0	14.2
Boddington	†N□	262xd	-2	299	250	617.9	4.0	18.9
Burtonwood	N	182	—	198	168	39.9	3.3	10.0
Eldridge Pope A	♣†N	156	-3	181	142	30.4	2.8	21.6
Fosters A$		68	+1	68	46¾	1,770	5.2	ф
Fuller STA	♣N	399	-5	493	399	81.4	2.4	16.5
Gibbs Mew	♣N	421xd	+1	*423	348¾	45.1	2.6	ф
Greenalls	♣†N□	432½	-9½	511	399	903.9	5.0	16.6
Greene King	N□	516	-2	584	452	218.3	3.1	14.4
Grosvenor Inns	♣N	143xd	—	*185	124	18.0	4.2	ф
Holt (J)	N	3725	—	3773	3125	111.8	1.8	21.0
Kirin Y		749½	+1½	824¼	674	7,889	0.8	27.5
Mansfield	N	232	-4	246	155	148.7	2.4	14.2
Marston Thomp	N□	298	-3	314	255	288.2	2.5	15.4
Morland	†N	400	—	545	463	105.4	2.8	16.3
Paramount	♣N□	6½	—	*10¼	6½	8.54	2.2	15.7
Regent Inns	♣†N	242	—	267	209	30.8	2.1	24.8
Scott & New	N□	490	-7	*591	467½	2,606	4.3	14.6
United Breweries	□	5¼	—	9	3	8.28	-	-
Vaux	♣†N□	247	-2	306	229	344.6	4.9	15.9
Wetherspoon (J.D.)	†N□	394	—	*403¼	324½	142.6	1.8	20.0
Whitbread	N□	526	-8	617	494	2,791	4.5	15.3
Wolv & Dudley	†N□	567	+2	598	493	375.8	2.9	15.9
Yates Bros	L□	171	—	180	148	60.4	2.2	71.1
Young A	N	503	+3	535	463	14.6	3.7	19.3
N/V	N	436	—	465	423	24.8	4.3	18.7

BUILDING & CONSTRUCTION

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Abbey I£		145xd	-5	205	135	58.2	4.5	16.6
Allen	♣N	179	—	200	146	56.2	3.7	21.1
AMEC	N□	113	-2	194	88	226.9	3.4	84.3
8½p Cv Pf		87xd	-½	128½	87	150.3	6.6	-
Amey	♣LN□	170xd	-1	178	160	47.8	5.2	30.8
Amco Corp	N	49½	—	88½	46	5.35	2.4	20.0
Andrews Sykes	N□	55	—	65	47	9.28	-	-
Ashtead	♣N□	435xd	—	*454	323	130.6	1.0	27.5
Avonside	♣†N□	130xd	—	161	113	56.5	4.2	15.3
Bailey (B)	♣N	35xd	—	41	28	3.68	5.0	21.4
Ball (AH)	□	28	—	43	28	2.94	4.5	-

CHEMICALS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
AGA SKr		£8[illegible]	-[illegible]	*£[illegible]	£8[illegible]	891.7	†2.4	ф
Akzo Fl		£75[illegible]	-[illegible]	£82[illegible]	£65[illegible]	3,464	3.2	19.8
Allied Colloids	hN□	135	-2	*158½	115½	711.2	2.2	21.7
Amber Ind	N	780	—	780	705	30.9	3.2	16.2
BASF DM		£139[illegible]	+[illegible]	£148[illegible]	£105[illegible]	7,651	7.2	-
BOC	♣N□	723	-5	787	627	3,455	4.0	30.5
BTP	♣N□	312	-1	*373	287	422.1	4.8	19.7
Bayer DM		£146[illegible]	-2[illegible]	£160[illegible]	£129[illegible]	9,781	0.8	-
Brent	N□	119½	—	137	98	80.7	4.2	-
British Vita	†N□	235xd	—	309	233	511.1	4.0	17.5
Cambridge Iso $		16	—	25	15	2.48	-	-
Canning (W)	♣N□	194	—	199	152	54.9	4.0	32.3
[illegible]	♣N	57xd	—	100	61	13.4	2.3	28.1
Warrants		23	—	45	23	0.20	-	-
Courtaulds	N□	471	-6	589	457	1,898	3.9	38.0
Croda	†N□	[illegible]xd	-1	359	327	494.4	2.9	16.8
Doeflex	♣N	116	—	122	96	12.3	0.8	13.1
Engelhard $		£17¼	+⅛	£20⅝	£14½	1,656	1.8	-
European Colour	♣N□	61	—	68	35½	17.2	2.5	20.3
Gibbon Lyons	♣N	136xd	—	145	132	12.8	4.9	13.0
Hickson	♣N□	172xd	—	223	150	302.5	2.3	15.4
Hoechst DM		£145[illegible]	+4[illegible]	£153⅞	£105[illegible]	8,586	6.1	-
Holliday Chemical	†N□	239xd	—	*259	153¼	248.4	0.0	12.9
ICI	N□	834xd	-6	889	726	6,036	4.1	87.4
Inspec	L□	223	—	323	178	190.2	2.0	36.4
Kalon	♣†N□	162xd	—	161½	140½	214.6	3.4	15.4
Laporte	♣N□	752	-3	843	704	1,440	3.4	20.4
MTM	♣□	87xd	—	98	48	32.3	0.7	-
Manders	N□	338xd	—	465	332	124.2	3.7	16.4
McLeod Russel	N□	117	—	127	100	30.8	6.0	16.2
Metrotect Inds	♣N□	102	—	128	86	24.6	4.2	ф
Perstorp SKr		£24[illegible]	-[illegible]	£32[illegible]	£22¼	119.4	1.7	29.9
Porvair	♣†N	308xd	—	346	265	41.7	1.0	23.1
Scapa	♣N□	211	—	272	185	600.3	0.8	10.0
Sutcliffe Speak	♣N□	32xd	-1	55	32	10.0	2.8	19.0
Wardle Storeys	N□	418	—	490	361	103.3	5.2	21.7
Wellington	W□	196xd	—	220	196	46.8	3.3	18.6
Wolstenholme	♣†N	588	+36	623	570	69.6	0.6	20.0
Yorkshire	♣†N□	438xd	-2	*465	380	192.4	2.6	18.1
Yule Catto	N□	298	—	*338	256	298.6	2.8	22.6

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

BUILDING MATS. & MERCHANTS

LONDON SHARE SERVICE

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¼	—	£30	£13½	1,907	2.5	21.4
Barlow	Z	£4⅜	—	£5½	£3¼	882.2	0.1	-
Gold Flds Prop R		119xa	—	128	75	12.2	1.8	ϕ
NK Props.	z	95	—	95	85	3.42	14.1	ϕ
SASOL	♥	499	-1	500	280	2,836	0.8	-
SA Brews		ß11⅞	-⅛	£15⅛	£10	3,289	2.3	19.4
Tiger Oats	†	825	—	838	538	939.8	2.5	13.2
Tongaat-Hulett	b	587	—	*618½	356¼	538.0	2.2	16.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xs ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3185. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availabilty.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Unit Trust Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	180.0	180.5	189.0	+0.60	0.11
AIB Grofund Equity	6	231.2	233.0	247.2	+8.26	1.30
AIB Grofund Euro	5	198.7	197.2xd	208.7	-0.70	0.16
AIB Grofund East Selected	1	116.5	116.9xd	121.2	--	2.01
AIB Grofund Gilt	3	70.81	70.02	72.15	--	6.80
AIB Grofund Japan	5	184.9	184.8	195.5	+1.30	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	5	450.7	452.7xd	481.8	-3.1	2.83
General Acc	5	511.1	513.4xd	546.2	-3.5	2.83
UK Growth Acc	6	341.5	346.3	363.5	-2.8	2.85
UK Growth Inc	6	237.1	240.5	254.9	-1.9	2.80
Higher Inc Acc	6	639.9	645.5	688.8	-4.8	3.95
Higher Inc Inc	6	377.4	381.3	405.7	-3.3	3.95
Gilt/Fxd Int Acc	5½	174.1	174.1xd	183.6	-1.2	8.41
Gilt/Fxd Int Inc	5¼	84.80	84.85xd	89.42	-0.63	8.41
Nth America	6	253.2	257.8	274.3	+0.8	0.00
Far East	6	367.2	374.1	398.6	+4.0	0.00
Europe	6	262.3	268.8xd	283.9	-2.5	0.78
Brit Excel	6	68.36	68.36	72.75	-0.83	3.12
Brit Fndmtls Acc	6	96.41	96.53xd	102.7	-0.8	4.97
Brit Fndmtls Inc	6	69.95	70.81xd	75.34	-0.60	4.97
Global Opps	6	81.47	82.87	88.27	-0.09	0.13
Balanced Acc	6	51.71	52.34xd	55.69	-0.50	2.92
Balanced Inc	6	50.99	51.61xd	54.91	[illegible]	2.92
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Extra Income	6	43.54	43.89xd	46.69	-0.03	7.77
Gilt & Fixed 4%	6	123.0	123.0xd	130.5	-0.3	8.13
High Inc Equity	6	158.6	158.6	169.0	+0.1	4.04
Managed Income	6	43.85	43.95xd	46.75	-0.00	4.52
Worldwide Bond	6	258.4	258.4xd	274.2	-0.3	3.60
American Growth	6	284.4	284.4	301.8	-0.6	.75
Asian Pacific	6	354.1	363.8	388.2	+1.7	—
Assets & Earnings	6	258.3	260.8	277.5	—	2.41
Capital Reserve Acc	6	133.2	133.2	133.2	+0.1	3.75
Commdty & Energy	6	122.4	125.5	133.5	+1.5	.34
Euro Capital Acc	6	131.3	137.8	146.6	-1.1	.01
Euro Capital Inc	6	128.5	128.5	137.4	-1.1	.71
General	6	215.3	218.6xd	231.8	+0.4	2.33
Japan	6	132.3	132.2	141.1	+2.4	—
Mastertrust	6	142.2	142.2	151.1	+0.3	1.22
UK Growth Acc	6	218.1	210.7	223.3	-0.7	2.18
UK Growth Dist	6	129.5	129.5	137.4	+0.5	2.18
US Emerging Cos	6	130.3	130.1	139.4	+0.6	—
Income & Growth	6	369.5	375.0	400.0	+0.4	3.13
Ethical	6	81.78	69.80	74.34	[illegible]	2.56
International	6	116.5	116.3	125.6	+0.5	.62
Dividend & Growth	6	58.48	59.43	63.23	-0.05	4.44
Global Gwth & Sec	6	65.61	65.81	70.14	+0.10	[illegible]
Aberforth Unit Trust Managers Ltd (1630)F						
14 Melville St, Edinburgh EH3 7NS 031-220 0733						
UK Small Cos	6	1722.00	1722.00	1797.60	—	—
Abtrust Unit Trust Managers Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Aberdeen Portfolio	6	60.51	60.51	61.00	-0.23	0.80
Amer Inc & Growth	5¼	43.33	43.33	45.75	+0.07	6.66
Cash	0	50.09	50.09xd	50.09	—	4.49
European	5¼	107.2	107.2	113.9	-0.9	0.00
Exempt	1	1016.8	1016.8	1085.1	-0.4	1.76
Extra Income	5¼	49.00	50.72xd	54.26	-0.24	4.38
Far East Emerg Econs	5¼	123.8	123.0	133.3	-0.6	0.47
Fixed Interest	5¼	22.79	22.84xd	24.30	+0.02	7.53
Fund Inc Tst	5	177.8	180.8	192.8	-0.8	0.87
Fund Inv Tst Acc	5	298.8	303.6	324.1	-1.4	0.83
Global Bond	5¼	41.12	41.12	43.77	-0.05	5.74
Japan	5¼	193.3	190.3xd	205.8	+2.4	0.00
Latin American	5¼	80.47	80.47xd	85.73	+0.03	0.56
Pacific	5¼	77.28	77.28	82.82	+0.55	0.32
Property Share	5¼	60.65	65.26	69.67	-0.38	1.69
UK Emerging Cos	5¼	67.09	65.77	69.57	-0.16	1.78
UK Growth	5¼	43.00	43.68	47.13	-0.23	2.48
World Growth	5¼	74.22	74.22	79.22	[illegible]	0.68
Ethical	5¼	61.35	61.78	65.93	[illegible]	2.66
Aberdeen Gilt Income	6	48.19	48.21xd	48.71	+0.01	8.78
Acuma Fund Managers Ltd (1200)F						
5 Rayleigh Rd, Hutton, Essex 0277 690335						
UK Equity Income	6¼	94.06	95.71xd	101.87	-0.51	2.95

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Pointon York UT Mngrs (0800)F						
The Crescent, King St, Leicester LE1 6RX 0533 550540						
6/R Director Dealings	5½	98.72	100.51	107.00	-0.46	0.35
Portfolio Fund Management Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 071-407 5966						
Portfolio Emerging Markets £	5	50.86	52.22	54.57	+0.02	—
Portfolio Fund of Funds Inc	5	157.82	160.63	169.08	—	0.63
Portfolio Fund of Funds Acc	5	157.56	160.63	169.08	—	0.63
Effective Initial Charge reduces for investments over £5,000						
Premium Life Unit Tst Mngrs (1400)F						
87 Perrymount Rd, Haywards Heath 0444 458721						
Monthly Income	6	58.82	58.58	62.07	-0.33	2.36
Growth Accum	6	60.36	62.46	66.20	-0.25	2.05
Growth Income	6	58.72	61.84	65.55	-0.25	2.05
Principal Unit Trust Mngmt Ltd (1600)F						
10 South Park, Sevenoaks, TN13 1AN 0732 740700						
Principal Tst	5¼	125.80	127.43xd	135.67	-1.64	1.73

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

***SCHEME PARTICULARS AND* REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mngmt Ltd (0830)F

2 Honey Lane, London EC2V 8BT 071-600 0482

Woolwich Unit Trust Managers Ltd (1700)H

2 White Oak Square, Swanley BR8 7AG 081-298 4000

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

185 Bishopsgate, London EC2M 3XY

CAF – Charity Money Management

48 Pembury Rd, Tonbridge TN9 2JD 0732 770114

CIM Unit Trust Managers Ltd

Cent. Bd. of Fin. of Church of England‡

2 Fore Street, London EC2Y 5AQ 071-588 1815

Chargeguard UK Equity Fd/Fixed Int Fd

10 Fenchurch St, London EC3M 3LB Freephone 0800 716053

Acuma Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

AEGON Hse, Lanark Sq, London E14 9QS 071-538 8600

Clerical Medical/Fidelity Investments

Clerical Medical Investment Group

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

[illegible]

INSURANCES

AIG Life

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Abbey National Life Plc

[illegible]

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Scottish Mutual Assurance plc
100 St Vincent St, Glasgow 041-248 6321

Scottish Provident Group
6 St Andrew Sq, Edinburgh 031-556 2552
Scottish Provident Institution Funds
Life Funds
Pension Funds
Scottish Provident Assurance Ltd Funds
(Formerly Prolific Life & Pensions Ltd)
Life Funds

Skandia Life Assurance Co Ltd (z)
Skandia Hse, Portland Terr, Southampton 0703 334411
Skandia Valuation Line 0800 181388 9am - 5pm Mon - Fri
Life Managed Funds
Pension Managed Funds

Standard Life Assurance Company
3 George St, Edinburgh EH2 2XZ 031-225 2552

Sun Alliance Group
St Mark's Court Horsham 0403 232323
Life Funds
Broker Funds
Pension Funds

Sun Alliance Group - Contd.
Property Growth Pension Funds

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

Sun Life Pensions Management Ltd

Swiss Life (UK) PLC
101 London Rd, Sevenoaks 0732 450101
Group Pension Funds
Individual Pension Funds
Next sub day September 21

Pioneer Funds
18 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

TSB Life Ltd
Charlton Pl, Andover, Hants, SP10 1RE 0264 345678

Tunbridge Wells Equitable
Abbey Court, Tunbridge Wells 0892 515353
Assurance & Pensions

Wesleyan Assurance Society
Colmore Circus, Birmingham, B4 6AR 021-200 3003

Windsor Life Assur Co Ltd
Windsor House, Telford, Shropshire 0952 292929

Woolwich Life Assurance Co Ltd
Redhill, Surrey RH1 1NH 0737 778800

Zurich Life Assurance Co Ltd
11 Guildhall Walk, Portsmouth PO1 3LR 0705 822200

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co
Victory Hse, Prospect Hill, Douglas, IoM 0624 677877

Albany International Assurance Ltd
St Mary's, Castletown, Isle of Man 0624 823262

Allied Dunbar International Assce Ltd (z)
Lord Street, Douglas, IoM 0624 661551

Century Life International Ltd
Exchange rate at Valuation Day US$1.5657

Eagle Star Intl Life
Eagle Star Hse, Athol St, Douglas, IoM 0624 693266
* Prices quoted are Sterling equivalent.

Equitable Life (International)
0481 716021

Eurolife Assurance Group
Eurolife Hse, 10 St John St, EC1M 4AY 071-454 1151

Finsco International Ltd
PO Box 193, St Peter Port, Guernsey 0481 713100
Administered by Providence Capital Intl.
Administered by Old Mutual International

Friends Provident International
0481 700210

Premier Life

Professional Investment Consultants

Providence Capital International Ltd
PO Box 121, St. Peter Port Guernsey 0481 726726
PCI Managed Funds

Royal Life International
Royal Court, Athol Rd, Castletown IoM 0624 821212

Royal Skandia Life Assurance Ltd (z)
Skandia Hse, Finch Rd, Douglas, IoM 0624 611611

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

MANAGEMENT SERVICES

Capital Trust Financial Management
Coleraine Co. Londonderry 0265 38500

Chase de Vere PLC
63 Lincoln's Inn Fields, London WC2A 3JX 071-404 5766

DBS Financial Management Ltd
Independence Hse, Holly Bk Rd, Huddersfield 0484 422224
DBS Personal Portfolio

Fairmount Financial Services Ltd
Castle House, Tonbridge Wells TN1 1BX 0892 515951

Foster & Braithwaite Ltd
3 London Wall Bldgs, London EC2M 5PB 071 588 6171

IPS Capital Management PLC
16-21 Queen Sq, Bristol BS1 4NH

Johnson Fry Asset Managers Plc
20 Regent Street, London, SW1Y 4PZ 071-839 5688

Knight Williams & Company Ltd
141 New Bond Street, London W1Y 0LA 071-408 1135

Macartney & Dowie Invest Mngt Plc
Brentwood, Essex 0277 374036

Marsh Financial Management PLC
4-14 Mount Sion, Tunbridge Wells 0892 515516

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd
Hamilton, Bermuda 0101 809 292 2780

Newport Investment Management
73 Front street, Hamilton, Bermuda

Orion Fund Limited
8 Front St, Hamilton, HM11, Bermuda 809 292 6370

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey CI

Adams & Neville Fd Mangt (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd
PO Box 211, St Peter Port, Guernsey

Equitable International Fund Managers Ltd
PO Box 255, St Peter Port Guernsey CI

Guinness Flight Fd Mngrs (Guernsey) Ltd
PO Box 250, St Peter Port, Guernsey

Lazard Freres Asset Management (CI) Ltd
PO Box 275, St Peter Port, Guernsey, CI 0481 710461

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St Peter Port, Guernsey, C.I. 0481 710461

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 0481 724983
Lloyds Bank Fund Managers (Guernsey) Ltd

M & G (Guernsey) Ltd
St Peter Port

Prudential Fund Managers (Guernsey) Ltd
PO Box 81, St Peter Port Guernsey 0481 726268
Prudential Money Funds Ltd

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Dresdner Intl Management Services Ltd
La Touche House, IFSC, Dublin 1 010 3531 6761444

Dunedin Unit Trust Managers (Ireland) Ltd
Dublin 2

Federated International Funds Plc (z)
Dublin 2

GAM Fund Management Ltd (u)

GT Asset Management (Ireland) Ltd

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

BT Fund Managers (Ireland) Ltd (z)

Bank of Cyprus Group

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Old Mutual International Fd Mngrs Ltd (u)

Prolific International Fund Plc

Scottish Value Management (Ireland) Ltd (u)
12 Lower Leeson Street, Dublin 2

Singer & Friedlander Inv Funds Ltd (u)

Swiss Life Investment Fund – Proteus (u)

Morgan Grenfell Emerging Mkts Fund Plc (u)

Morgan Grenfell Fixed Income Funds Plc

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Morgan Grenfell Profunds Plc

Old Mutual International Ltd

Paine Webber Offshore Funds Plc (u)

J. Rothschild International Assce Plc

Scottish Amicable European

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

AXA Equity & Law Intl Fund Mgs

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

John Govett Management (IoM) Ltd

RBI Managers (IoM) Ltd

R & B Fund Managers Ltd

Bank of Ireland

CMI Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers Intl Ltd
12-13 Hill Street, Douglas IoM 0624 662255

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd
19-21, Circular Rd, Douglas, IoM 0624 629420

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds
PO Box 152, St Helier, Jersey CI 0534 67888

Barbmore Fund Mngrs Intl Ltd - Contd.

John Govett (Channel Islands) Ltd (1000)F
St Helier, Jersey

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey
Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey

Prudential Fund Managers (Jersey) Ltd
PO Box 163, St Helier, Jersey

Royal Bank of Canada (Jsy) Fd Mgt Ltd (1400)F
PO Box 194, St Helier, Jersey

Standard Bank Fund Mngmt (Jersey) Ltd
St Helier, Jersey CI

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey

JERSEY (REGULATED)(**)

Barclays Intl Funds

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

INVESCO International Limited
All Funds deal daily except where indicated.

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Lonworld Financial Services Limited

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Northgate Unit Trt. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Abtrust Fund Mngrs Luxembourg SA (z)

American Phoenix Investment Portfolios (z)

BAII Intermarket Fund

Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (z)

HSBC Investment Funds Lux SA - Contd.

Henderson Management SA (z)

Hypo Foreign & Colonial Port Fd Sicav(z)

INVESCO International Limited (z)

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

Lloyds Bank Fund Managers (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NAV Fully Paid Aug 31	$10.63		—	-

WW Capital Growth Fund

NAV Aug 31	$987.01		—	-

Wellington Fd Mngrs (Bermuda) Ltd

Intnl Growth Fd	$17.05	17.89	-0.17	-

Wells Fargo U.S. IT Fund

Wells Fargo 4 Shs (z)	$12.18		+0.02	-
Wells Fargo 8 Shs (z)	$13.67		—	-

Worldwide Limited

NAV Aug 31	$87.49		—	-

Xiphias International Investment Fd Ltd

Xiphias Global Growth Jul 31	$9.32		—	-
Xiphias Int ECU Acc	Ecu1.4044		—	-
Xiphias Int ECU Dis	Ecu1.1931		—	-

Yamaichi Capital Management (Guernsey) Ltd

Thai Inv Fund	$22.53		—	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. k Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). z Offered price includes all expenses except agent's commission. y Previous day's price. ⊕ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase, all ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES AND MONEY

MARKETS REPORT

Yen lifted by $, D-Mark

The yen was the beneficiary of weakness in both the dollar and the D-Mark yesterday as the US trade gap widened and jitters about forthcoming German money supply figures made the Japanese currency more attractive, *writes Motoko Rich*.

Against the dollar, the Japanese currency advanced by about a yen to Y97.75 from Y98.7650. Against the D-Mark, it closed in London at Y63.03, from Y63.61.

Sterling also had a good day, finishing up against the dollar and the D-Mark. Against the dollar, the pound finished in London at $1.5764, from $1.568. Against the D-Mark, it closed in London at DM 2.4446, from 2.4347.

The UK currency was helped by overall market sentiment that base rates will continue to rise, a view which was supported by an active short sterling futures market.

The December short sterling futures contract fell 14 basis points to settle at 93.03 from 93.17, discounting a short-term interest rate of 6.97, a full percentage point above current rates.

■ The yen surged against the dollar following the release of the US trade deficit figures for July, rising to Y97.55 in the afternoon, near its mid-August levels and only a point off its post-war high of Y96.45.

The US trade gap widened by 21.6 per cent in July to $10.99bn, from a revised $9.04bn in June. The trade gap with Japan rose 2.7 per cent to $5.67bn, its highest since March.

Expectations before the figures were released were for an even higher deficit with Japan. But against the background of upcoming trade talks between the US and Japan, the markets took the news quite negatively and sold off the dollar.

Mr Rob Hayward, economic advisor at Bank of America, said: "Although it was a disappointing number on the surface, I do not think it changes the US trade position. It is just a bit of statistical noise."

The dollar fought back against the D-Mark towards a floor around DM1.552 after US Commerce undersecretary Everett Ehrlich said that in spite of the deterioration of the July trade deficit between Japan and the US, the trade situation remained "fundamentally unchanged". The dollar closed in London against the D-Mark at DM1.5508 from DM1.5528.

■ The D-Mark remained soft on the crosses throughout the day as markets fluttered on concerns that German M3 money supply data, expected this week, would rise above market expectations.

The markets are forecasting a small month-on-month rise, bringing down the annual rate of growth to 8.9 per cent from 9.8 per cent in July.

But some analysts were talking of double digits, causing traders to unwind long positions in the D-Mark. "There are rumours that the M3 numbers will be buoyed up," said Mr Anthony Norfield, UK Treasury economist at ABN-AMRO. "If that happened that could prompt the Bundesbank to raise interest rates, which would case increased bearishness in the bond markets, which is affecting the D-Mark now."

In London, the D-Mark closed against the lira at L1006 from L1010, against the Swiss franc at 0.829 from SFr0.830 and against the French franc at FFr3.418 from FFr3.416.

■ The markets responded positively to Mr John Major's speech to British businessmen in Saudi Arabia on Monday, which gave a positive spin on the UK economy, and boosted sterling against the D-Mark and the dollar.

But analysts were particularly struck by activity in the short sterling futures market, which they believed impacted the movement of the pound.

The September short sterling contract, which expires today, finished at 94.03, from 94.15, discounting interest rates at 5.97 per cent, close to current cash rates.

The December short sterling futures contract discounted the three-month interest rate a full percentage point above current rates.

Mr Norfield said: "There does not seem to be any willingness on the part of the market to say this has gone far enough," he said. "But I would say the extraordinary degree of tightening that the futures markets are forecasting in the next three months go beyond the bounds of credibility."

■ The Swedish krona remained fairly steady against the D-Mark, closing in London at SKr4.818 from Skr4.805.

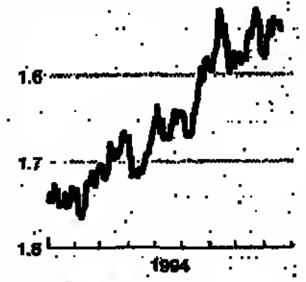
Although the Swedish trade deficit was worse than expected at SKr0.4bn against a forecast of a Skr1.6bn surplus, the markets did not take the news too negatively.

"The trade figures have not had much material impact," said Mr Julian Callow, economist at Kleinwort Benson. "The markets are awaiting judgement on the new government." An announcement on the government from prime minister designate Mr Ingvar Carlsson is expected today.

■ The Bank of England provided liquidity of £243m at established rates after revising its shortage forecast to £550m. It provided late assistance of £215m. Overnight rates traded between 4¾ and 6¼.

D-Mark

Against the dollar (DM per $)



Source: Datastream

■ Pound in New York

Sep 20	—Latest—	— Prev. close —
£ spot	1.5740	1.5700
1 mth	1.5732	1.5693
3 mth	1.5710	1.5673
1 yr	1.5534	1.5508

■ OTHER CURRENCIES

Sep 20	£	$
Hungary	170.287 - 170.520	108.050 - 108.150
Iran	2753.00 - 2756.00	1748.00 - 1750.00
Kuwait	0.4684 - 0.4699	0.2972 - 0.2980
Poland	36232.2 - 36295.6	22990.0 - 23020.0
Russia	3736.05 - 3748.65	2370.00 - 2378.00
U.A.E.	5.7754 - 5.7871	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Sep 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2091	+0.0669	016 - 166	17.2275	17.1085	17.2047	0.3	17.1929	0.4	-	-	114.8
Belgium	(BFr)	50.2935	+0.1649	744 - 125	50.3680	50.0190	50.3085	-0.4	50.2535	0.3	49.9885	0.6	116.5
Denmark	(DKr)	9.6143	+0.0256	106 - 180	9.6360	9.5659	9.619	-0.6	9.6384	-1.0	9.6909	-0.7	116.3
Finland	(FM)	7.7822	+0.0217	731 - 913	7.8000	7.7300	-	-	-	-	-	-	85.2
France	(FFr)	8.3570	+0.0395	528 - 612	8.3671	8.3078	8.3588	0.1	8.3582	-0.1	8.3123	0.5	110.0
Germany	(DM)	2.4446	+0.0099	437 - 455	2.4491	2.4304	2.4437	0.5	2.4409	0.6	2.4115	1.4	125.6
Greece	(Dr)	371.861	+1.295	700 - 022	372.900	369.160	-	-	-	-	-	-	-
Ireland	(I£)	1.0136	-0.0010	126 - 143	1.0202	1.0114	1.0134	0.1	1.0148	-0.4	1.0192	-0.6	104.0
Italy	(L)	2459.11	+0.09	777 - 044	2470.00	2454.70	2464.71	-2.7	2476.96	-2.9	2531.26	-2.9	75.5
Luxembourg	(LFr)	50.2935	+0.1649	744 - 125	50.3680	50.0190	50.3085	-0.4	50.2535	0.3	49.9885	0.6	116.5
Netherlands	(Fl)	2.7412	+0.0119	402 - 422	2.7445	2.7234	2.7404	0.4	2.7372	0.6	2.7047	1.3	120.5
Norway	(NKr)	10.7150	+0.0385	110 - 189	10.7280	10.6313	10.7148	0.0	10.717	-0.1	10.7184	0.0	85.7
Portugal	(Es)	248.612	+0.924	378 - 846	249.285	247.098	250.242	-8.4	253.422	-7.9	-	-	-
Spain	(Pta)	202.416	+0.499	511 - 527	202.945	201.461	202.824	-2.4	203.554	-2.2	206.369	-2.0	85.8
Sweden	(SKr)	11.7762	+0.0804	577 - 847	11.8000	11.6734	11.7952	-1.8	11.8427	-2.3	12.0562	-2.4	75.3
Switzerland	(SFr)	2.0264	+0.0044	252 - 276	2.0280	2.0161	2.0238	1.5	2.0181	1.6	1.9826	2.2	122.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.6
Ecu	-	1.2809	+0.0044	794 - 810	1.2830	1.2743	1.2805	-0.3	1.2809	-0.2	1.262	1.4	-
SDR†	-	0.931809	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5765	+0.0084	760 - 769	1.5765	1.5652	-	-	-	-	-	-	-
Brazil	(R)	1.3415	+0.004	396 - 433	1.3450	1.3364	-	-	-	-	-	-	-
Canada	(C$)	2.1163	-0.0006	174 - 191	2.1235	2.1121	2.1178	0.3	2.1171	0.2	2.1159	0.1	97.0
Mexico	(New Peso)	5.3699	+0.0426	647 - 750	5.3812	5.3355	-	-	-	-	-	-	-
USA	($)	1.5764	+0.0084	760 - 767	1.5782	1.5649	1.5758	0.0	1.5735	0.7	1.5561	1.3	62.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1191	+0.0111	169 - 192	2.1215	2.1049	2.110	0.0	2.1194	-0.2	2.1376	-0.9	-
Hong Kong	(HK$)	12.1805	+0.0645	770 - 839	12.1950	12.0932	12.1766	0.4	12.1755	0.2	12.1820	0.0	-
India	(Rs)	49.4462	+0.26	312 - 611	49.6020	49.0950	-	-	-	-	-	-	-
Japan	(Y)	154.088	-0.776	975 - 201	155.060	153.840	153.718	2.9	152.816	3.3	147.623	4.1	191.3
Malaysia	(M$)	4.0252	+0.0174	235 - 269	4.0310	3.9967	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6110	+0.013	093 - 126	2.6143	2.5945	2.6149	-1.8	2.6227	-1.8	2.645	-1.3	-
Philippines	(Peso)	40.5123	+0.2146	880 - 365	40.6423	40.1650	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9191	+0.0314	105 - 136	5.9167	5.8694	-	-	-	-	-	-	-
Singapore	(S$)	2.3270	+0.0055	257 - 283	2.3296	2.3168	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5881	+0.0283	857 - 905	5.5934	5.5499	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9202	+0.0131	029 - 375	6.9421	6.8947	-	-	-	-	-	-	-
South Korea	(Won)	1261.55	+6.68	049 - 262	1263.24	1253.17	-	-	-	-	-	-	-
Taiwan	(T$)	41.3410	+0.216	322 - 013	41.3899	41.0418	-	-	-	-	-	-	-
Thailand	(Bt)	39.3299	+0.1848	054 - 544	39.3960	39.0680	-	-	-	-	-	-	-

†SDR rates for Sep 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9179	-0.0155	145 - 195	10.9675	10.9015	10.917	0.0	10.9168	0.0	10.842	0.7	104.1
Belgium	(BFr)	31.9050	-0.052	000 - 100	32.0600	31.8710	31.9122	-0.3	31.925	-0.3	32.06	-0.5	105.8
Denmark	(DKr)	6.0991	-0.0181	981 - 001	6.1302	6.0949	6.1056	-1.3	6.1256	-1.7	6.2028	-1.7	104.7
Finland	(FM)	4.9369	-0.0124	322 - 415	4.9720	4.9092	4.9369	0.0	4.9439	-0.6	4.9918	-1.1	78.9
France	(FFr)	5.3010	-0.000	000 - 030	5.3270	5.2950	5.304	-0.9	5.3093	-0.6	5.278	0.5	106.1
Germany	(D)	1.5508	-0.002	506 - 010	1.5587	1.5485	1.551	-0.2	1.551	-0.1	1.5488	0.3	106.8
Greece	(Dr)	235.900	-0.43	850 - 950	238.900	235.850	236.2	-1.5	236.825	-1.6	239.575	-1.6	68.6
Ireland	(I£)	1.5555	+0.0107	545 - 564	1.5675	1.5394	1.5549	0.5	1.5519	0.9	1.5335	1.4	-
Italy	(L)	1560.00	-8.25	950 - 050	1571.00	1558.75	1564.25	-3.8	1573.9	-3.6	1625.5	-4.2	75.7
Luxembourg	(LFr)	31.9050	-0.052	000 - 100	32.0600	31.8710	31.9122	-0.3	31.925	-0.3	32.06	-0.5	105.6
Netherlands	(Fl)	1.7390	-0.0016	387 - 392	1.7470	1.7364	1.7393	-0.2	1.7393	-0.1	1.7342	0.3	105.5
Norway	(NKr)	6.7973	-0.0117	963 - 983	6.8322	6.7522	6.8023	-0.9	6.8223	-1.5	6.8948	-1.4	95.9
Portugal	(Es)	157.650	-0.25	600 - 700	158.230	157.550	158.4	-5.7	162.075	-11.2	166.65	-5.7	95.2
Spain	(Pta)	128.410	-0.365	370 - 450	129.030	128.370	128.725	-2.6	129.345	-2.9	132.29	-3.0	80.6
Sweden	(SKr)	7.4706	+0.0115	668 - 743	7.5040	7.4465	7.4871	-2.7	7.5256	-2.9	7.7181	-3.3	80.9
Switzerland	(SFr)	1.2855	-0.004	850 - 860	1.2922	1.2820	1.2844	1.0	1.2823	1.0	1.2705	1.2	108.2
UK	(£)	1.5764	+0.0084	760 - 767	1.5782	1.5649	1.5756	0.6	1.5735	0.7	1.5561	1.3	97.8
Ecu	-	1.2313	+0.0022	308 - 310	1.2326	1.2247	1.2304	0.6	1.2286	0.9	1.2012	2.4	-
SDR†	-	1.46732	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R)	0.8510	-0.002	500 - 520	0.8535	0.8500	-	-	-	-	-	-	-
Canada	(C$)	1.3438	-0.0076	435 - 440	1.3497	1.3430	1.3442	-0.3	1.3451	-0.4	1.3534	-0.7	84.1
Mexico	(New Peso)	3.4065	+0.009	040 - 090	3.4100	3.4040	3.4075	-0.4	3.4093	-0.3	3.4167	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3437	-	432 - 441	1.3465	1.3419	1.344	-0.2	1.3447	-0.3	1.352	-0.8	97.2
Hong Kong	(HK$)	7.7270	-	265 - 275	7.7275	7.7265	7.7268	0.0	7.7275	0.0	7.7425	-0.2	-
India	(Rs)	31.3675	-0.0013	650 - 700	31.3700	31.3650	31.4625	-3.3	31.5975	-2.9	-	-	-
Japan	(Y)	97.7500	-1.015	000 - 000	98.6500	97.6500	97.56	2.3	97.1	2.7	94.725	3.1	150.3
Malaysia	(M$)	2.5535	-0.0025	530 - 540	2.5555	2.5520	2.5443	4.3	2.533	3.2	2.6085	-2.1	-
New Zealand	(NZ$)	1.6563	-0.0006	556 - 570	1.6584	1.6556	1.6572	-0.7	1.6591	-0.7	1.6644	-0.6	-
Philippines	(Peso)	25.7000	-	000 - 000	26.0000	25.5000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7508	3.7503	3.7518	-0.4	3.7559	-0.6	3.7745	-0.6	-
Singapore	(S$)	1.4762	-0.0044	757 - 767	1.4801	1.4750	1.4749	1.1	1.473	0.9	1.4662	0.7	-
S Africa (Com.)	(R)	3.5480	-0.0008	442 - 457	3.5500	2.5420	3.5605	-5.2	3.5988	-4.9	3.6655	-3.4	-
S Africa (Fin.)	(R)	4.3900	-0.015	800 - 000	4.4050	4.3790	4.4237	-9.2	4.4825	-8.4	-	-	-
South Korea	(Won)	800.300	-	800 - 800	800.800	799.800	803.3	-4.5	808.8	-3.2	825.3	-3.1	-
Taiwan	(T$)	26.2263	-	260 - 265	26.2270	26.2240	26.2463	-0.9	26.2863	-0.9	-	-	-
Thailand	(Bt)	24.9500	-0.015	400 - 600	24.9700	24.9300	25.0225	-3.5	25.15	-3.2	25.63	-2.7	-

†SDR rate for Sep 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 19. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.12	16.62	4.862	2.018	4890	5.450	21.32	494.1	402.5	23.42	4.029	1.988	4.212	3.134	306.4	2.545
Denmark	(DKr)	52.31	10	8.693	2.543	1.055	2558	2.851	11.15	258.5	210.5	12.25	2.107	1.040	2.203	1.639	160.3	1.331
France	(FFr)	60.16	11.50	10	2.926	1.213	2942	3.280	12.83	297.4	242.2	14.10	2.424	1.197	2.534	1.886	184.4	1.532
Germany	(DM)	20.57	3.932	3.418	1	0.415	1006	1.121	4.384	101.8	82.78	4.816	0.829	0.409	0.866	0.645	63.03	0.524
Ireland	(I£)	49.60	9.481	8.242	2.411	1	2425	2.703	10.57	245.1	199.6	11.62	1.998	0.986	2.088	1.554	152.0	1.262
Italy	(L)	2.045	0.391	0.340	0.099	0.041	100.	0.111	0.436	10.11	8.231	0.479	0.082	0.041	0.086	0.064	6.267	0.052
Netherlands	(Fl)	18.35	3.507	3.049	0.892	0.370	897.1	1	3.911	90.66	73.84	4.298	0.739	0.365	0.773	0.575	56.22	0.467
Norway	(NKr)	46.91	8.968	7.796	2.281	0.946	2294	2.557	10	231.8	188.8	10.99	1.890	0.933	1.976	1.470	143.8	1.194
Portugal	(Es)	20.24	3.869	3.363	0.984	0.408	989.5	1.103	4.314	100.	81.45	4.740	0.810	0.402	0.852	0.634	62.01	0.515
Spain	(Pta)	24.85	4.750	4.129	1.208	0.501	1210	1.354	5.296	122.8	100.	5.820	1.001	0.494	1.046	0.779	76.14	0.632
Sweden	(SKr)	42.69	8.161	7.094	2.076	0.861	2087	2.327	9.100	211.0	171.8	10	1.720	0.849	1.798	1.338	130.8	1.087
Switzerland	(SFr)	24.82	4.745	4.125	1.207	0.500	1214	1.353	5.291	122.7	99.90	5.814	1	0.494	1.045	0.778	76.06	0.632
UK	(£)	50.29	9.614	8.357	2.445	1.014	2459	2.741	10.72	248.5	202.4	11.78	2.026	1	2.116	1.576	154.1	1.280
Canada	(C$)	23.74	4.538	3.946	1.154	0.478	1161	1.294	5.061	117.3	95.56	5.562	0.957	0.472	1	0.744	72.76	0.604
US	($)	31.91	6.100	5.303	1.551	0.643	1560	1.739	6.802	157.7	128.4	7.475	1.286	0.635	1.344	1	97.78	0.812
Japan	(Y)	32.63	6.239	5.423	1.587	0.658	1596	1.779	6.957	161.3	131.3	7.644	1.315	0.649	1.374	1.023	100.	0.831
Ecu		39.29	7.511	6.529	1.910	0.792	1921	2.141	8.375	194.1	158.1	9.203	1.583	0.781	1.655	1.231	120.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6455	0.6455	-	0.6458	0.6415	38,973	71,892
Mar	0.6457	0.6454	-0.0007	0.6457	0.6445	604	4,154
Jun	-	0.6467	-	-	-	3	477

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0216	1.0290	+0.0072	1.0294	1.0202	20,639	43,184
Mar	1.0298	1.0370	+0.0076	1.0370	1.0298	73	2,291
Jun	-	1.0385	-	-	-	1	450

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7794	0.7816	+0.0022	0.7820	0.7784	24,966	36,219
Mar	0.7820	0.7836	+0.0007	0.7836	0.7810	96	585
Jun	-	0.7860	-	0.7860	-	0	24

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5662	1.5752	+0.0076	1.5760	1.5630	12,076	81,439
Mar	-	1.5730	-	1.5730	-	44	267
Jun	-	1.5650	-	1.5650	-	14	7

EMS EUROPEAN CURRENCY UNIT RATES

Sep 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15110	+0.00143	-2.08	5.19	-
Belgium	40.2123	39.4903	+0.029	-1.80	4.88	13
Ireland	0.808628	0.795374	-0.003206	-1.64	4.71	11
Germany	1.94964	1.91678	+0.00169	-1.56	4.65	-
France	6.53883	6.56065	+0.0093	0.33	2.66	-3
Portugal	192.854	195.049	-0.108	1.14	1.84	-8
Denmark	7.43679	7.54829	-0.01163	1.50	1.48	-10
Spain	154.250	158.874	-0.212	3.00	0.00	-21
NON ERM MEMBERS						
Greece	264.513	292.037	+0.163	10.41	-6.71	-
Italy	1793.18	1934.72	-4.78	7.89	-4.54.	-
UK	0.786749	0.785700	-0.002628	-0.13	3.14	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.500	7.49	7.51	7.65	-	0.10	0.42
1.525	5.09	5.31	5.68	0.06	0.38	0.87
1.550	2.92	3.41	3.95	0.39	0.96	1.60
1.575	1.33	1.97	2.54	1.23	1.95	2.62
1.600	0.45	1.00	1.59	2.80	3.40	4.06
1.625	0.09	0.43	0.90	4.93	5.31	5.87

Previous day's vol., Calls 5,422 Puts 10,949 . Prev. day's open int., Calls 494,849 Puts 331,205

WORLD INTEREST RATES

MONEY RATES

September 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	6⅛	5¾	5⅞	6⅜	7.40	4.50	-
week ago	4½	5½	5¾	5⅞	6⅜	7.40	4.50	-
France	5⅜	5⅝	5⅝	5⅞	6⅜	5.00	-	6.75
week ago	5⅜	5⅝	5⅝	5⅞	5⅞	5.00	-	6.75
Germany	4.67	5.00	5.05	5.23	5.63	6.00	4.50	4.85
week ago	4.97	5.00	4.95	5.10	5.45	6.00	4.50	4.85
Ireland	4⅝	5½	6⅜	6⅝	7⅛	-	-	6.25
week ago	4⅝	5½	6⅜	6⅝	7⅛	-	-	6.25
Italy	8⅝	8⅛	8⅝	9⅜	10⅜	-	7.50	8.25
week ago	8½	8⅛	8¾	9⅝	10⅜	-	7.50	8.45
Netherlands	4.84	5.05	5.11	5.31	5.75	-	5.25	-
week ago	4.84	5.05	5.05	5.16	5.55	-	5.25	-
Switzerland	3⅝	4	4⅛	4⅜	4⅝	6.625	3.50	-
week ago	5⅛	4	4⅛	4⅜	4⅝	6.625	3.50	-
US	4¾	4⅝	5	5⅜	5⅞	-	4.00	-
week ago	4¾	4⅝	5	5⅝	5⅞	-	4.00	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅞	5⅛	5½	6⅛	-	-	-
week ago	-	4⅞	5⅛	5⅜	6	-	-	-
US Dollar CDs	-	4.67	4.90	5.25	5.86	-	-	-
week ago	-	4.87	4.84	5.14	5.71	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3¾	4	-	-	-
week ago	-	3⅝	3⅝	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅜; 3 mths: 5⅝; 6 mths: 6¼; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5⅛ - 5	5½ - 5⅜	6 - 5⅞	6⅝ - 6½
Danish Krone	5⅞ - 5⅜	5⅞ - 5½	6 1/16 - 5⅞	6¾ - 6½	7⅜ - 7⅛	7⅞ - 7⅝
D-Mark	4⅞ - 4¾	5 - 4⅞	5⅛ - 4 15/16	5⅛ - 5	5 5/16 - 5 3/16	5¾ - 5⅝
Dutch Guilder	5⅛ - 4 15/16	5 1/16 - 4 15/16	5⅛ - 4 15/16	5⅛ - 5	5⅜ - 5¼	5 13/16 - 5 11/16
French Franc	5⅝ - 5¼	5⅝ - 5⅜	5⅝ - 5½	5⅞ - 5½	6 - 5⅞	6½ - 6⅜
Portuguese Esc.	12⅛ - 11⅞	9½ - 9¼	10⅛ - 9¾	10⅝ - 10⅛	10⅞ - 10½	11⅛ - 10⅝
Spanish Peseta	7½ - 7⅛	7⅛ - 7¼	7⅝ - 7½	8 - 7⅞	8½ - 8⅜	9⅛ - 9
Sterling	5½ - 5¼	5⅜ - 5¼	5½ - 5⅜	6 - 5⅞	6⅝ - 6½	7⅜ - 7¼
Swiss Franc	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 3 15/16	4⅛ - 4	4⅜ - 4¼	4⅞ - 4¾
Can. Dollar	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 5	5⅜ - 5¼	6 1/16 - 5 15/16	6 13/16 - 6 11/16
US Dollar	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4⅞ - 4¾	5⅛ - 4 15/16	5⅝ - 5⅜	6 - 5⅞
Italian Lira	6 - 7½	8⅛ - 7⅞	8⅛ - 8⅛	8⅝ - 8¼	9⅜ - 9⅛	10⅜ - 10⅛
Yen	2⅛ - 2⅛	2½ - 2⅛	2 13/16 - 2 11/16	2 11/16 - 2⅜	2⅞ - 2⅝	2 13/16 - 2⅝
Asian $Sing	1⅜ - 1⅛	1⅜ - 1⅛	2⅛ - 2⅛	3⅛ - 3⅛	4 - 3½	4⅜ - 4⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.00	93.96	-0.02	94.02	93.92	45,060	46,503
Mar	93.50	93.45	-0.03	93.51	93.41	16,676	32,383
Jun	93.12	93.00	-0.04	93.12	93.00	8,136	28,171
Sep	92.82	92.75	-0.00	92.82	92.70	2,310	19,121

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.22	94.17	-0.00	94.22	94.21	30	2099
Mar	-	93.77	-0.07	-	-	0	1355
Jun	-	93.41	-0.07	-	-	0	278
Sep	-	93.11	-0.08	-	-	0	52

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.67	94.64	-0.02	94.67	94.61	48999	189910
Mar	94.23	94.18	-0.03	94.24	94.10	44536	173573
Jun	93.79	93.75	-0.03	93.79	93.71	27598	105061
Sep	93.47	93.40	-0.06	93.47	93.38	10359	66767

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.23	90.36	+0.14	90.38	90.20	11212	31841
Mar	89.46	89.55	+0.08	89.58	89.40	4766	18220
Jun	89.03	89.07	+0.03	89.06	88.96	1440	15379
Sep	88.65	88.75	+0.03	88.74	88.63	756	14059

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.51	95.44	-0.08	95.51	95.44	7703	23216
Mar	95.10	95.06	-0.06	95.10	95.06	2930	11924
Jun	94.69	94.70	-0.04	94.73	94.69	1365	8108
Sep	94.44	94.38	-0.08	94.46	94.38	615	0

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.40	93.38	-0.01	93.40	93.35	1287	7483
Mar	92.82	92.80	-0.02	92.82	92.78	872	5350
Jun	92.38	92.37	-0.03	92.38	92.34	329	2496
Sep	92.00	91.94	-0.05	92.00	91.93	141	987

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.23	94.15	-0.07	94.23	94.15	140,156	541,206
Mar	93.83	93.75	-0.07	93.83	93.75	63,861	397,728
Jun	93.47	93.39	-0.08	93.47	92.38	63,376	278,529

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.74	94.71	-0.08	94.74	94.70	844	11,145
Mar	94.30	94.26	-0.09	94.30	94.26	221	6,575
Jun	-	93.95	-	-	93.95	3	1,652

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9450	0.16	0.21	0.24	0.15	0.00	0.07	0.10	0.46
9475	0.05	0.08	0.11	0.08	0.10	0.19	0.22	0.84
9500	0.01	0.02	0.04	0.04	0.37	0.39	0.40	0.85

Est. vol. total, Calls 6620 Puts 20413. Previous day's open int., Calls 184271 Puts 184806

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9525	0.24	0.16	0.11	0.05	0.36	0.66
9550	0.08	0.11	0.06	0.15	0.55	0.55
9575	0.03	0.06	0.03	0.34	0.75	1.06

Est. vol. total, Calls 75 Puts 0. Previous day's open int., Calls 1635 Puts 610

UK INTEREST RATES

LONDON MONEY RATES

Sep 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 4⅝	5¼ - 5	5 7/16 - 5¼	5 13/16 - 5¾	6 5/16 - 6¼	7 3/16 - 7⅛
Sterling CDs	-	-	5⅜ - 5 5/16	5⅞ - 5 13/16	6½ - 6⅜	7½ - 7⅜
Treasury Bills	-	-	5⅜ - 5¼	5 13/16 - 5 11/16	-	-
Bank Bills	-	-	5⅜ - 5¼	5⅞ - 5¾	6⅛ - 6⅛	-
Local authority deps.	4 13/16 - 4 11/16	5 5/16 - 5 3/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6 5/16 - 6 3/16	7 3/16 - 7 1/16
Discount Market deps	6¾ - 4½	4 13/16 - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¾pc.
Ave. tender rate of discount 5.0940pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 31, 1994. Agreed rate for period Sep 26, 1994 to Oct 25, 1994, Schemes II & III 6.82pc. Reference rate for period July 30, 1994 to Aug 31, 1994, Schemes IV & V 5.578pc. Finance House Base Rate 5½pc from Sep 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.16	94.03	-0.12	94.16	94.01	17250	74806
Dec	90.17	93.03	-0.18	93.18	93.00	84292	154943
Mar	92.17	92.05	-0.11	92.17	92.03	30410	82707
Jun	91.57	91.43	-0.13	91.57	91.42	17080	55350

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.05	0.02	0	0.02	0.86	1.95
9425	0.01	0	0	0.23	1.22	2.20
9450	0	0	0	0.47	1.47	2.45

Est. vol. total, Calls 26191 Puts 40662. Previous day's open int., Calls 360926 Puts 318402

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.25
AIB Bank	5.75
●Henry Ansbacher	5.75
Bank of Baroda	5.75
Banco Bilbao Vizcaya	5.75
Bank of Cyprus	5.75
Bank of Ireland	5.75
Bank of India	5.75
Bank of Scotland	5.75
Barclays Bank	5.75
Brit Bk of Mid East	5.25
●Brown Shipley & Co Ltd	5.75
CL Bank Nederland	5.75
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	5.75
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	5.75
Duncan Lawrie	5.75
Exeter Bank Limited	6.75
Financial & Gen Bank	6.5
●Robert Fleming & Co	5.75
Girobank	5.75
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk	5.75
●Hill Samuel	5.75
C. Hoare & Co	5.75
Hongkong & Shanghai	5.25
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	5.75
* Mount Banking	6
NatWestminster	5.75
●Rea Brothers	5.75
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Royal Bk of Scotland	5.75
●Smith & Williman Secs	5.75
TSB	5.75
●United Bk of Kuwait	5.75
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Charities Deposit Fund	4.82	-	4.90	3-Mth
Deposits Over £1 million	4.92	-	5.07	3-Mth
Deposits Over £2 million	5.02	-	5.11	3-Mth
The COIF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.00	-	5.09	3-Mth
Cent. Bd. of Fin. of Church of England‡ 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	5.00	-	5.09	3-Mth

Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
Allied Trust Bank Ltd 25 Dowgate Hill, London, EC4R 2AT 071-626 0879				
FOAMA (£2,001+)	6.54	4.00	6.54	Yearly
TREMNA (£2,001+)	5.85	4.39	5.85	Yearly
TOAMNA (£2,001+)	5.64	4.23	5.64	Yearly
DIANA (£2,001+)	5.85	3.00	5.33	Yearly
HICA (£2,001+)	4.00	3.00	4.07	Mth
HRICA (£2001+)	4.00	3.00	4.07	Mth
Premier TESSA	6.87	5.15	6.87	Yearly
American Express Bank Ltd Sussex House, Burgess Hill RH15 9AQ 0444 232444				
High Performance Cheque Account				
£500-£999.99	1.00	0.75	1.00	Mth
£1,000-£4,999.99	3.50	2.63	3.56	Mth
£5,000-£9,999.99	3.75	2.81	3.82	Mth
£10,000-£24,999.99	4.00	3.00	4.07	Mth
£25,000-£49,999.99	4.25	3.19	4.33	Mth
£50,000+	4.75	3.56	4.85	Mth
Arbuthnot Latham & Co Ltd 30 City Road, London EC1Y 2AY. 071-628 9070				
Treasury Account – for professional advisers				
£25,000-£49,999	4.75	3.5625	4.85	Mth
£50,000 or more	5.00	3.75	5.12	Mth
Weekly Inc Acc – for personal and business clients				
Up to £9,999	3.25	2.4375	3.30	Mth
£10,000 - £24,999	4.00	3.00	4.07	Mth
£25,000 - £49,999	4.50	3.375	4.59	Mth
£50,000 or more	4.75	3.5625	4.85	Mth
Money Market quotations – please telephone				
Bank of Ireland High Interest Cheque Acc 36-40 High St, Slough SL1 1EL 0753 516516				
£10,000 +	4.000	3.000	4.060	Qtr
£2,000-£9,999	3.00	2.250	3.034	Qtr
Bank of Scotland 38 Threadneedle St, EC2P 2EH 071-601 6446				
MM Chq Acc £2,500-£24,999	3.50	2.62	3.56	Mth
£25,000-£249,999	4.00	3.00	4.07	Mth
£250,000+	5.50	4.12	5.64	Mth
Barclays Select PO Box 120, Westwood Bs Pk, Coventry 0800 400100				
£2,000-£9,999	4.75	3.56	4.75	Yearly
£10,000-£24,999	5.25	3.94	5.25	Yearly
£25,000-£49,999	5.50	4.13	5.50	Yearly
£50,000-£99,999	5.60	4.20	5.85	Yearly
£100,000+	5.75	4.31	5.75	Yearly
Barclays Prime Account H.I.C.A. Wavertree Boulevard, Liverpool 051-284 6238				
£1,000-£2,499	2.50	1.88	2.52	Qtr
£2,500-£9,999	2.75	2.06	2.78	Qtr
£10,000-£24,999	3.25	2.44	3.29	Qtr
£25,000+	3.75	2.81	3.80	Qtr
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2 071-606 9833				
HICA	4.25%	3.1875%	4.32	Qtr
Prof Deposit A/c	4.25%	3.1875%	4.32	Qtr
Caledonian Bank Plc 8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235				
HICA	5.25	3.9375	-	Yearly
Cater Allen Ltd 20 Birchin Lane, London EC3V 9DJ 071-623 2070				
HICA	3.75	2.82	3.82	Mth
Fixed £50,000+	6.00	-	6.1162	Mth
Overnight £250,000+	4.6875	-	4.7865	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH 071-248 4000				
£2,500-£19,999	3.75	2.81	3.80	Mth
£20,000-£49,999	4.00	3.00	4.06	Mth
£50,000-£99,999	4.25	3.19	4.31	Mth
£100,000+	4.50	3.38	4.57	Mth
$5,000-$49,999	2.75	2.06	2.78	Mth
$50,000-$99,999	3.25	2.44	3.30	Mth
$100,000-$199,999	3.50	2.63	3.56	Mth
$200,000+	3.75	2.81	3.82	Mth
Many other currencies are available – for rates please phone ext 2188				
Clydesdale Bank Flexible Solution Acc 30 St Vincent Place, Glasgow G1 2HL 041-248 7070				
£10,000-£49,999	3.70	2.78	3.73	Qtr
£50,000-£249,999	3.80	2.85	3.85	Qtr
£250,000 and over	4.50	3.38	4.58	Qtr
The Co-operative Bank PO Box 300, Skelmersdale, Lancs 0345 252000				
TESSA	6.25	-	-	Yearly
Pathfinder – Card Based Current Account				
All Balances	4.90	3.68	5.01	Mth
Investment 90 – 90 Day Notice Savings				
£50,000+	5.25	3.94	5.32	6-Mth
£25,000-£49,999	4.50	3.38	4.55	6-Mth
£10,000-£24,999	4.00	3.00	4.04	6-Mth
£5,000-£9,999	3.00	2.25	3.02	6-Mth
Top Tier – Instant Access Savings				
£50,000+	3.75	2.81	3.79	6-Mth
£10,000-£49,999	3.25	2.44	3.28	6-Mth
£5,000-£9,999	2.25	1.69	2.26	6-Mth
Business Deposit – Instant Access				
£250,000+	4.00	3.06	4.10	6-Mth
£50,000-£249,999	3.00	2.25	3.02	6-Mth
£10,000-£49,999	2.75	2.06	2.77	6-Mth
£500-£9,999	2.31	1.73	2.32	6-Mth
30-60 day notice available Tel 0345 212212				
Coutts & Co 440 Strand, London WC2R 0QS 071-753 1000				
Coutts Composite Account for clients money 15 Lombard Street, London EC3V 9AU 071-623 3434				
Rates negotiable up to	4.688	-	-	
Dao Heng Bank (London) PLC Premier Acc 10 Angel Court, London EC2R 7HP 071-606 1829				
£20,000+	5.50	4.13	5.61	Qtr
£10,001-£20,000	4.50	3.37	4.58	Qtr
£2,500-£10,000	4.00	3.00	4.06	Qtr
Savings Account	3.00	2.25	3.03	Qtr
Davenham Tst Plc-Davenham 500 Acc 6 St John St, Manchester M3 4DN 061-832 8464				
£10,000+ 6 Mths	7.50	5.625	7.64	6-Mth
£10,000+ 1 Year	8.00	6.000	8.00	Yearly
£5,000 + Fixed Rate Bd 2 Yr	8.25	6.1875	1.94	
Fidelity Money Market Account Fidelity Brokerage Services Ltd, Kingswood Place, Tadworth Surrey, KT20 6RB				
£1-£999	1.00	0.75	1.00	Qtr
£1,000-£9,999	4.00	3.00	4.06	Qtr
£10,000-£24,999	4.50	3.375	4.58	Qtr
£25,000-£99,999	5.00	3.75	5.09	Qtr
£100,000+	5.20	3.90	5.30	Qtr
£500,000+ – Money Market Rates on request				
Halifax Bldg Soc Asset Reserve Cheque Acc Trinity Road, Halifax HX1 2RG 0422 333333				
Rates for personal customers				
£50,000 and above	5.85	4.39	5.98	Qtr
£25,000 to £49,999	5.50	4.13	5.61	Qtr
£10,000 to £24,999	5.15	3.86	5.25	Qtr
£5,000 to £9,999	4.50	3.38	4.58	Qtr
Rates for non-personal customers				
£50,000 and above	5.25	3.94	5.36	Qtr
£25,000 to £49,999	4.75	3.56	4.84	Qtr
£10,000 to £24,999	4.50	3.38	4.58	Qtr
£5,000 to £9,999	4.25	3.19	4.32	Qtr
Julian Hodge Bank Ltd 10 Windsor Place Cardiff CF1 3BX 0222 220800				
6 Mth Fixed Rate Deposit Acc	6.50	4.88	6.61	-
3 Mth Fixed Rate Deposit Acc	6.25	4.69	6.40	-
1 Mth Fixed Rate Deposit Acc	6.25	4.69	6.43	-
Humberclyde Finance Group 5 Bartley Way, Hook, Basingstoke 0256 760000				
£50,000+	5.75	4.31	5.86	Qtr
Leopold Joseph & Sons Limited 29 Gresham Street, London EC2V 7EA 071-588 2323				
Treasury High Interest Cheque Account				
£25,001-£100,000	4.75	3.5625	4.8341	Qtr
£100,001 plus	5.00	3.7500	5.0945	Qtr
Kleinwort Benson Ltd 158 Kentish Town Rd, London NW5 2BT 071-267 1000				
H.I.C.A. (£2,500+)	4.0	3.0	4.07	Daily
Kleinwort Benson Private Bank (a division of Kleinwort Benson Investment Management Ltd) 158 Kentish Town Road, London NW5 2BT 071-267 1000				
H.I.C.A. (£2,500+)	4.00	4.025	4.07	
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS 0272 433372				
£100,000 and above	5.25	3.94	5.25	Yearly
£50,000+	5.15	3.86	5.15	Yearly
£25,000+	4.95	3.71	4.25	Yearly
£10,000+	4.75	3.56	4.75	Yearly
Midland Bank plc PO Box 2, Sheffield. 0742 705 6456				
Exchequer Acc £5000+	3.75	2.81	3.75	Yearly
£10,000+	4.50	3.37	4.50	Yearly
£25,000+	5.00	3.75	5.00	Yearly
£50,000+	5.50	4.12	5.50	Yearly
TESSA	5.25	-	5.25	Yearly
Nationwide Bldg Soc – Businessinvestor Business High Interest Cheque Account, Pipers Way, Swindon SN38 1NW 0800 335599				
£2,000-£4,999	3.30	2.48	3.34	Qtr
£5,000-£9,999	3.80	2.85	3.85	Qtr
£10,000-£24,999	4.30	3.23	4.37	Qtr
£25,000-£49,999	4.80	3.60	4.89	Qtr
£50,000+	5.30	3.98	5.41	Qtr
Portman Bldg Soc Prestige Cheque Account Richmond Hill, Bournemouth, BH2 6EP 0800 900903				
£50,000+	5.50	4.13	5.50	Yearly
£30,000-£49,999	5.00	3.75	5.00	Yearly
£20,000-£29,999	4.50	3.38	4.50	Yearly
£10,000-£19,999	3.50	2.63	3.50	Yearly
£2,500-£9,999	2.50	1.88	2.50	Yearly
Rea Brothers Limited, Bankers Alderman's Walk, London EC2M 3XR 071-623 1155				
Professionals' Client Account	5.25	3.93	5.36	Mth
Professionals' Office Account	4.75	3.56	4.85	Mth
£5000+ Instant Access Dep Ac	4.75	3.56	4.83	Qtr
Royal Bank of Scotland plc Premium Acc 42 St Andrew Sq, Edinburgh EH2 2YE 031-523 8802				
£50,000+	3.75	2.81	3.80	Qtr
£25,000 - £49,999	3.50	2.63	3.55	Qtr
£10,000 - £24,999	2.75	2.06	2.78	Qtr
£5,000 - £9,999	2.00	1.50	2.03	Qtr
£2,000 - £4,999	1.50	1.13	1.51	Qtr
Save & Prosper/Robert Fleming 16-22 Western Rd, Romford RM1 3LB 0800 282101				
Client Account	4.13	3.09	4.21	Daily
TESSA Fixed 1 Year	8.31	-	8.50	Mth
TESSA Variable	4.89	-	5.00	Mth
Tyndall Bank plc 29-33 Princess Victoria St, Bristol 0272 744720				
HIMA £5000+/Master Plus	3.750	2.813	3.803	Qtr
Demand/HIMA £10000+	3.875	2.906	3.932	Qtr
HIMA £50000+	4.000	3.000	4.060	Qtr
HIMA £100000+	4.125	3.094	4.189	Qtr
Tyndall TESSA	4.875	-	4.965	Qtr
United Dominions Trust Ltd PO Box 62, Harts, EN4 0DY 081-447 2438				
Capital Plus Cheque Account				
£1,000+	5.25	3.94	5.35	Qtr
United Trust Bank Ltd (formerly ULC) 1 Great Cumberland Pl, London W1H 7AL 071-258 0034				
£10,000-30 day notice	6.75	5.06	6.92	3-Mth
£10,000-180 day notice	7.50	5.60	7.64	6-Mth
£25,000 - 1 Year	7.25	5.44	-	Yearly
J. Henry Schroder Wagg & Co Ltd 120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc.	3.875	2.91	3.93	Mth
£10,000 and above	4.125	3.09	4.18	Mth
Western Trust High Interest Cheque Acc The Moneycentre, Plymouth PL1 1SE 0752 224141				
£15,000+	5.25	3.94	5.36	Qtr
£5,000-£14,999	5.00	3.75	5.09	Qtr
£1,000-£4,999	4.75	3.56	4.84	Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 20 / Sch)

		+/-	High	Low	Yld	P/E
AusAir	2,020	-20	2,200	1,750	2.5	...
BkAust	984	—	1,270	984	0.8	—
CredPf	610	-7	834	610	1.0	—
EA Gen	2,910	-30	4,290	2,900	0.5	—
EVN	1,366	-43	1,713	1,120	1.4	—
Lenzng	1,225	-20	1,387	1,060	0.4	—
Mayr-M	630	—	744	558	—	—
OeMv	1,005	-13	1,087	845	1.5	—
PerIZm	935	-3	1,050	895	2.1	—
RadexH	450	-5	488	403	2.2	—
SteyrD	205	-3	258	171	2.9	—
VA Tec	1,114	-27	1,100	874	...	—
VeitMg	344	+1	406	326	1.7	—
VoestA	686	-16	791	546	2.3	—
WrAir	439	-5	600	430	1.0	—
Wienbg	3,680	-65	4,340	3,411	1.0	—

BELGIUM/LUXEMBOURG (Sep 20 / Frs.)

DENMARK (Sep 20 / Kr)

FINLAND (Sep 20 / Mks)

FRANCE (Sep 20 / Frs.)

GERMANY (Sep 20 / Dm.)

ITALY (Sep 20 / Lire)

NETHERLANDS (Sep 20 / Fls.)

NORWAY (Sep 20 / Kroner)

SPAIN (Sep 20 / Pts.)

SWEDEN (Sep 20 / Kronor)

SWITZERLAND (Sep 20 / Frs.)

PACIFIC

JAPAN (Sep 20 / Yen)

AUSTRALIA (Sep 20 / Aust$)

HONG KONG (Sep 20 / H.K.$)

MALAYSIA (Sep 20 / MYR)

SINGAPORE (Sep 20 / S$)

NORTH AMERICA

CANADA

TORONTO (Sep 20 / Cdn $)

4 pm close

MONTREAL (Sep 20 / Cdn $)

4 pm close

AFRICA

SOUTH AFRICA (Sep 20 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, September 20, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	18.0m	385	+7	Toshiba	3.8m	750	+13
Mitsubishi Hvy	6.6m	760	+11	Toyota Motor	3.7m	1,980	+20
Sumitomo Mtl Ind	6.5m	337	+7	Hitachi	3.5m	959	+12
Kawasaki Steel	5.5m	433	+11	NEC	3.4m	1,180	+20
Nissan Motor	4.6m	818	+33	Sumitomo Chem	3.1m	558	+13

INDICES

	Sep 20	Sep 19	Sep 16	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	21065.36	20808.12	25470.40	16/2	17758.80	20/4
Australia							
All Ordinaries(1/1/80)	2045.1	2049.1	2059.0	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1075.9	1070.9	1075.2	1136.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	393.93	404.56	404.68	480.65	2/2	388.97	22/6
Traded Index(2/1/91)	1091.80	1097.61	1098.07	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1403.13	1416.67	1422.95	1542.65	9/2	1393.98	13/7
Brazil							
Bovespa (29/12/83)	(u)	52918.0	52937.0	55110.00	13/9	3800.99	3/1
Canada							
Metals Minls♣(1975)	(u)	4250.59	4230.77	4250.59	19/9	3299.06	20/4
Composite♣ (1975)	(u)	4436.00	4403.90	4809.90	23/3	3959.99	24/6
Portfolio§§ (4/1/83)	(u)	2116.08	2102.10	2182.89	1/2	1053.17	20/7
Chile							
IPGA Gen (31/12/80)	(u)	(c)	4947.4	4947.40	16/9	3501.29	4/4
Denmark							
CopenhagenSE(3/1/83)	354.11	354.51	354.75	415.79	2/2	352.74	12/9
Finland							
HEX General(28/12/90)	1879.2	1894.4	1908.0	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1294.88	1301.82	1303.78	1585.20	2/2	1265.36	4/7
CAC 40(31/12/87)	1919.25	1922.87	1924.59	2355.93	2/2	1886.19	4/7
Germany							
FAZ Aktien(31/12/58)	788.78	796.15	805.62	858.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2239.9	2262.9	2291.8	2485.50	2/5	2140.30	27/6
DAX (30/12/87)‡	2078.86	2096.76	2118.73	2271.11	18/5	1960.82	20/6
Greece							
Athens SE(31/12/80)	864.02	861.80	851.80	1194.58	18/1	808.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9824.76	9801.43	9988.52	12201.09	4/1	8389.44	4/5
India							
BSE Sens.(1979)	4468.38	4563.79	4617.51	4628.57	12/9	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	521.72	522.05	525.63	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1885.67	1901.08	1894.18	2082.18	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	673.43	674.53	678.49	817.17	10/5	588.65	10/1
MIB General (4/1/94)	1091.0	1093.0	1099.0	1318.00	10/5	944.69	10/1
Japan							
Nikkei 225 (16/5/49)	19831.27	19554.11	19795.26	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	288.98	285.27	287.55	311.71	13/6	259.22	4/1
Topix (4/1/68)	1581.11	1561.88	1576.21	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2242.87	2229.57	2249.90	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1185.65	1180.88	1185.27	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2803.62	(c)	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	434.0	434.7	433.6	464.80	31/1	406.30	21/6
CBS All Shr (End 83)	272.6	273.1	273.9	294.80	31/1	257.80	21/6
New Zealand							
Cap. 40 (1/7/86)	2087.33	2105.67	2111.87	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1050.74	1053.97	1054.81	1211.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	2920.10	2938.21	2942.36	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2932.7	2928.1	2934.0	3226.60	18/2	2612.80	20/6
Singapore							
SES All-S'pore(2/4/75)	567.86	568.11	569.98	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2436.0♥	2357.0	2405.0	2534.00	7/9	1749.80	14/2
JSE Indl. (28/9/78)	6439.0♥	6453.0	6520.0	6757.00	15/6	5446.00	18/1
South Korea							
KoreaCmpEx(4/1/80)**	(c)	(c)	1000.80	1023.61	11/9	855.37	2/4
Spain							
Madrid SE (30/12/85)	296.72	300.43	301.21	358.31	31/1	291.48	8/1
Sweden							
AffarsvarldnGen (1/2/37)	1432.8	1443.1	1449.3	1603.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1227.10	1236.03	1228.82	1429.34	31/1	1157.97	18/7
SBC General (1/4/87)	923.87	930.71	926.07	1083.29	31/1	868.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	(c)	(c)	6981.20	7048.24	17/9	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	1530.05	1540.20	1546.24	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	23808.35	22785.0	23695.8	28883.69	13/1	12980.70	24/3
WORLD							
MS Capital Int (1/1/70)§	632.5*	632.0	635.6	644.00	2/9	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1342.33	1356.96	1358.91	1540.16	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1183.11	1192.91	1194.43	1311.01	2/2	1143.08	21/6
JCapelDrgns (31/12/88)	(u)	341.12	344.90	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	190.65	190.70	190.22	198.78	19/9	141.55	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	1918.0	1925.0	-2.0	1930.0	1898.0	37,661	37,067
Oct	1927.5	1934.0	-2.5	1935.0	1911.0	3,814	4,370
Dec	1944.0	1953.0	-2.0	1955.5	1932.5	3,493	15,118

Open interest figures for previous day.

** Sat Sep 17: Taiwan Weighted Price 7048.24, Korea Comp Ex 1023.61. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 20 - 2059.15 -41.40

US INDICES

Dow Jones	Sep 19	Sep 16	Sep 16	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3938.72	3933.35	3953.88	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.16	97.08	97.58	105.81 (27/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1552.53	1566.33	1576.45	1882.29 (2/2)	1546.02 (20/4)	1882.29 (2/2/94)	12.32 (8/7/32)
Utilities	178.09	177.23	179.14	227.06 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3972.72 (3955.22) Low 3909.80 (3894.66) (Theoretical♠)
Day's high 3953.20 (3953.88) Low 3928.84 (3912.83) (Actual♠)

Standard and Poors	Sep 19	Sep 16	Sep 16	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	470.85	471.16	474.81	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	557.28	557.02	560.83	560.83 (15/9)	510.05 (21/4)	560.83 (15/9/94)	3.62 (21/6/32)
Financial	45.02	45.42	45.85	48.94 (14/6)	41.39 (4/4)	48.46 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	259.63	259.77	261.42	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	461.13	459.86	458.74	487.89 (2/2)	422.57 (25/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	776.72	777.91	778.66	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 16	Sep 6	Sep 2	Year ago
Dow Jones Ind. Div. Yield	2.69	2.71	2.63	2.82
	Sep 14	Sep 7	Aug 31	Year ago
S & P Ind. Div. yield	2.37	2.37	2.33	2.47
S & P Ind. P/E ratio	20.91	20.96	21.11	27.84

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	472.55	469.80	-2.75	473.10	469.60	56,897	201,610
Mar	473.10	472.80	-2.85	473.10	472.80	233	6,570
Jun	477.00	477.00	-2.05	477.00	477.00	105	2,051

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Ford Motor	3,766,600	28	-¼
Wal Mart	3,597,700	24¼	-⅛
Dig Equip	3,287,900	26⅞	+1⅛
Coca Cola	2,943,200	48⅞	+1⅛
Time Warner	2,836,700	37¼	+1⅜
Am Barrick	2,827,000	25½	+1⅛
Royl D Pet	2,676,100	109	+⅛
Micron	2,663,200	39½	-1⅞
Exxon	2,667,000	59⅛	-¼
Merck	2,520,100	34½	+⅜

■ TRADING ACTIVITY

● Volume (million)

	Sep 19	Sep 16	Sep 15
New York SE	272.797	410.625	280.490
Amex	15.573	11.332	17.223
NASDAQ	237.144	299.796	278.675
NYSE			
Issues Traded	2,875	2,868	2,855
Rises	953	722	1,541
Falls	1,214	1,406	605
Unchanged	708	740	709
New Highs	67	49	69
New Lows	60	83	42

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 20

1994 High	Low	Stock	Div	Yld %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	12¾	AAR	0.48	3.8	21	220	13⅛	d12⅝	12¾	-½
16⅞	12⅝	A L Labs A	0.18	1.1	20	124	15¾	15⅝	15¾	-⅛
75¼	57⅝	AMP	1.68	2.3	25	1184	72¾	73¾	73½	-⅛
72¾	52⅛	AMR			96	4795	55¼	54⅜	54¾	-⅝
5	3⅜	ARX			13	81	3⅞	3¼	3⅞	
56⅛	38⅝	ASA	2.00	3.8	34	1687	52¾	62⅛	52½	+1
31⅝	25⅜	AbbtL	0.78	2.5	11	9617	30⅛	29⅞	29⅞	-¼
15⅛	11⅝	Abitibi Pr	0.50	3.3	11	117	u15¼	15	15⅛	
23⅝	17¾	ABM Ind	0.52	2.4		20	22¼	22	22	-¼
16⅛	11⅛	Acpincain			26	64	14¾	14½	14½	-⅝
31	22⅜	ACE Ltd	0.44	1.8	38	171	25	24½	24½	-½
12½	9⅛	ACM Gvt In	1.08	11.2		335	9¾	d9⅝	9¾	
10⅜	7¼	ACM GvOpp	0.80	11.0		172	7¼	7⅛	7¼	
10⅝	7½	ACM Gvt Sp	0.95	12.6		239	7⅝	d7½	7⅝	+⅛
12	8½	ACM Gvt Se	1.09	12.9		940	8⅝	d8½	8½	-¼
11¾	8⅜	ACM Man	1.00	12.3		452	8	8¾	8¾	-¼
9¼	8	ACM Managd	0.72	8.3		141	8⅛	d8	8⅛	+⅛
15½	6¾	AcmeClv	0.44	3.3	16	334	13⅞	13½	13½	-⅜
9⅞	8½	Acme Elect			7	39	8⅝	8⅜	8⅜	+⅛
28¾	23	Acordia	0.60	2.2	13	24	27⅛	27	27⅛	
13⅞	8¾	Actava	0.38	5.0	2	595	10⅝	9¾	10	-¼
18⅛	11¼	Acuson			110	673	15⅝	15⅜	15½	-⅛
16½	16½	Adams Expr	0.48	2.8	0	167	17½	17¼	17⅜	
64	45½	Ad Micro	3.00	5.0		392	61	60½	60½	-½
31¾	16¼	AdvMic	3.00	10.1	12	6697	30¼	29⅝	29⅝	-⅛
6⅞	5	Advest Grp	0.16	3.0	8	13	5⅜	5¼	5¼	-⅛
20	15	Advo Inc	0.10	0.6	111	141	18⅛	17⅝	17⅝	-¼
59½	49⅜	Aegon ADR	1.47	2.6	12	40	55⅞	55¼	55¾	-¼
65¾	47¼	AetnaL	2.76	0.0	8	5497	48	d46	48	-2¾
36⅛	25¼	Aflac	0.48	1.4	14	1839	34	33¾	33⅝	-⅜
22¾	16⅜	Ahmnsn	0.38	4.1	15	1837	22	21½	21½	-⅝
4	1⅜	Aileen Inc			1	67	2½	2¼	2⅜	
50⅞	39⅞	AirPrC	0.00	2.1	36	1658	40¼	47¼	47⅜	-1
39⅞	26⅛	Airbne Frt	0.20	1.1	18	807	26⅜	27¾	27⅞	-⅜
39½	19¾	Airgas Inc			40	515	28	25⅞	28	
16⅞	14¼	Airlease	1.64	10.9	12	60	u16⅞	18⅝	16⅞	+⅛
29⅛	21⅝	AirTch				8443	28⅛	27¾	27⅞	-⅝
18⅞	13⅝	Alaska Air	0.20	1.2	24	605	18⅝	16½	16⅝	+⅛
21¼	16⅛	Albany Int	0.35	1.0	21	156	19¼	18	18	-⅛
17⅝	13¾	Alberl x	0.20	1.3		9049	15⅛	14⅜	15¼	+⅛
25⅛	19⅜	AlbCuB	0.28	1.2	10	181	23⅜	23	23⅛	-¼
22⅞	17¼	AlCulvr 4	0.28	1.3	15	70	21½	21	21¼	-¼
30⅞	25⅛	Albtsn	0.44	1.6	22	4708	28½	27⅞	27⅞	-⅞
27½	19¾	AlcnAl	0.30	1.1	71	5468	27	26⅝	26⅝	-½
60½	49½	AlcoSt	1.00	1.8	43	682	62½	62⅛	62⅛	-½
28⅛	23¾	AlexBrown	0.70	2.5	4	447	28	27¾	27⅞	-¼
22¾	14	AlexAl	0.10	0.5	117	533	20⅜	20	20	-½
24⅞	17	Allegh Lud	0.40	2.2	20	282	31⅞	21½	21⅞	+⅛
29½	20	AllegP x	1.64	8.2	10	2353	20⅛	d20	20	-¼
22¼	13½	Allen Con x	0.16	0.0	11	160	20½	20¼	20¼	-⅜
38	20	Allergan	0.44	1.6	17	1195	27⅛	26⅛	21⅛	+⅛
4⅛	¼	AlIon			1	37	1	⅞	1	
27⅛	17¼	Allnce Cap	1.64	7.0	22	193	21⅝	20⅞	21	-⅝
18½	0	Allnce Gl	0.16	1.8		134	9⅞	9¾	9¾	

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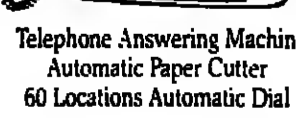
1994 High	Low	Stock	Div	Yld %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28¾	21⅜	Baxter	1.05	3.9	41	8572	27⅝	21	27¼	-¾
28⅞	23¾	Bay St Gas	1.43	5.8	15	218	25¼	25	25⅛	
22½	19⅛	Bd Tr 1808	1.72	0.5		71	20⅛	20⅛	20¼	-½
23½	15⅞	Bear Stns	0.60	3.0	4	2288	10⅞	18½	18½	-⅜
50¼	40¾	BearStPfA	2.63	5.0		44	40	47	40	
31½	27¼	Bearings	0.64	2.1	21	182	31	31	31	
32½	23	Beckman In	0.40	1.4	24	813	36⅛	20¾	29¾	-1⅛
46¼	34⅞	BectnD	0.74	1.6	18	1793	45¾	45⅛	45⅜	-½



Continued on next page

4 pm close September 20

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	1994 Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
49⅞	32⅝	Sallie Mae	1.40	4.1	7	23085	34⅛	32⅞	33⅞	-2
13⅞	11⅞	Salomon Br	0.32	2.5		302	12⅝	12½	12⅝	
52¾	40⅝	Salomn	0.64	1.6	5	2607	41⅛	d40¼	40¼	-⅛
25	17½	SnDgGE	1.52	0.4	8	376	18⅜	10⅛	10⅛	-⅛
10	7½	SantaFeERs	0.16	1.8	9	682	9⅛	8⅞	8	
17⅝	13½	SFeBd				6054	17½	17	17½	+⅜
40	31½	SantaFePac	2.80	8.2	18	22	34¼	34	34⅛	
28¼	10½	SanFeP	0.10	0.5	12	8081	22¾	21¾	21¾	-⅞
28	19⅝	SaraLee	0.64	2.9	14	4058	22⅛	22	22	-⅝
50½	42⅛	Scana Corp	2.82	6.5	11	147	43½	42⅞	43¼	-⅜
20½	12½	Sceprp	1.00	7.0	8	3319	12¾	12⅝	12⅝	
41¼	31¾	ScheringP			30	114	40⅝	40⅛	40½	-⅛
71⅞	54½	SchPl	2.04	3.0	15	3163	68½	67¼	67¼	-1
69	50¾	Schlmb	1.20	2.2	22	5108	55¾	54½	54½	-⅞
32⅞	23¼	Schwab(C)	0.28	0.9	14	1895	29¾	29⅜	29½	-⅜
10¾	8⅛	Schwitzer			20	8	9⅛	9⅛	9⅛	-⅛
45¼	24⅞	SciAtl	0.12	0.3	87	795	44⅞	43¼	43⅝	-1
10⅞	13	Scotsmn	0.10	0.6	15	8	16¼	16¼	16¼	
68¾	37¼	ScottP	0.56	1.3	18	3902	64¼	62⅝	62⅝	-1⅞
20⅝	16⅝	ScudderNAmF	0.21	0.8		110	24¼	23⅞	24	-⅝
12⅝	9½	ScuddrNEuF	0.18	1.8		233	10⅛	9⅞	9⅞	-¼
18¼	13½	SeaCnB	0.70	4.1	8	z100	17¼	17¼	17¼	-⅛
16½	14⅞	SeaC1.4625	1.49	9.2		17	15⅞	15⅝	15⅞	+⅜
32⅝	28¼	Seagrm x	0.60	1.9	40	2323	32	31½	31½	-⅜
29¾	22¾	Seagull En			21	1792	24⅝	23¾	24⅛	-⅛
38¼	26⅝	Sealed Air			23	6	33¼	33⅛	33⅛	-¼
55⅛	42⅛	SearsR	1.60	3.3	7	8758	50⅛	48⅝	48⅞	-1⅛
13¾	11¼	Seligm Sel x	0.84	7.3		72	11⅝	11½	11½	-⅛
38¼	20	Sensormat	0.22	0.6	35	1062	34⅞	34	34¼	-⅝
38¾	27¼	SequaA	0.00	2.2	9	127	27⅜	27⅜	27½	-¼
40¼	20	SequaB	0.60	1.8	17	4	32⅛	32⅛	32⅛	
20	22½	ServCp	0.42	1.8	21	1245	26⅜	26⅛	26¼	-¼
28⅜	22	SvMstr	0.92	3.9	13	321	25⅝	24⅜	25⅝	+¾
20	13⅞	Shaw Ind	0.22	1.5	19	6928	15¼	15	15	-¼
25	19¼	Shawmut Nt	0.58	3.7	20	3947	22⅜	21⅞	21⅞	-½

1994 High	1994 Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13½	7	ZnthEl			5	1502	10¼	9⅞	10⅛	-⅜
27⅞	20⅝	Zenith Nat	1.00	4.2	8	41	24⅛	24	24	-⅜
7⅞	6⅝	Zenix Inc x	0.83	11.8		245	7⅛	7	7	-⅛
16⅛	11⅞	Zero	0.40	3.1	15	75	13¼	12⅞	12⅞	-⅛
29¾	16⅞	Zurn Ind x	0.88	4.6	16	142	19¼	19	19	-⅛
13⅞	11½	Zweig Fund	1.09	9.4		238	11½	d11⅜	11½	-⅛
10¾	8¼	Zweig Totl	0.84	9.7		242	8⅝	8⅝	8⅝	+¼

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 20

NASDAQ NATIONAL MARKET

4 pm close September 20

AMERICA

Widening trade deficit pushes Dow lower

Wall Street

US equity investors reacted badly yesterday morning to news of a widening US trade gap, *writes Frank McGurty in New York.*

By 1 pm. the Dow Jones Industrial Average was 41.05 lower at 3,595.67, its lowest level of the session. The sell-off was not confined to the blue chips. The Standard & Poor's 500 was down 4.37 to 466.48, reflecting the broad base of the retreat. Declining issues on the Big Board swamped advances by a four-to-one margin.

NYSE volume was fairly heavy, with 187m shares traded by early afternoon.

In the secondary markets, the American SE composite was off 1.77 to 459.36, while the Nasdaq composite was down 7.32 at 769.40.

The Commerce Department's announcement carried negative implications in two respects. First, the overall trade deficit was reported to have increased to $11bn in July, against expectations of $9.5bn. Investors feared the yawning gap could complicate forthcoming US-Japanese trade talks, putting more pressure on the dollar and the bond market.

Second, the July increase came in spite of a downturn in exports, which suggested the possibility that overseas markets were becoming less fertile ground for US companies. Unfortunately, the bond market chose to ignore this aspect of the trade report, which may have buoyed sentiment among fixed-rate traders looking for any signs of economic weakness. By midday, government securities were showing moderate losses.

But the depressed mood in both *stocks* and *bonds* probably had less to do with trade than with the growing belief that another move to tighter credit conditions was imminent. Yesterday's data served to draw the underlying pessimism to the surface.

It was certainly evident in the performance of the blue chips during the morning. As the afternoon began, only three of the 30 Dow industrials were showing fractional gains, with one issue unchanged.

The rest were showing only slim losses, which brought a solid loss to the *Dow index* when added together.

The most actively moving stocks were found elsewhere. In semiconductors, Micron Technology lost $¾ to $38⅝ in heavy volume of 3m shares after Goldman Sachs removed the issue from its recommended list. In computers, Digital appreciated $1 to $27¼ in a continuing reaction to an upgrading by Cowen & Company.

Shares in National Medical Enterprises, a leading hospital group, fell $1⅜ to $17⅝ on a report that it was close to acquiring American Medical and Healthtrust to create the second biggest US hospital chain.

However, American, up $⅝ to $23⅞, said it was also in talks with other possible partners. Healthtrust climbed $1⅛ to $31⅛ on the news.

Rate-sensitive banking stocks were among the hardest hit of the session. Bankers Trust was down $1⅛ to $60⅝ and NationsBank fell $1¾ $49⅞.

On the Nasdaq, Lotus Development dropped $1¼ to $41, and Chiron, the biotechnology concern, shed 2\frac{3}{16}$ to $70½.

Canada

Toronto was sharply lower in active midday trading as a tumbling US bond market and profit-taking shook equities.

The TSE 300 composite index dropped 43.98 or 1.0 per cent, to 4,391.98 in heavy turnover of 36.89m shares.

Of the 14 sub indices, only precious metals remained ahead, supported by rising futures prices. Real estate and construction fell by 2.2 per cent while rate sensitive financial services was 1.7 per cent lower.

Caracas at new high

Shares climbed on the Caracas stock exchange with the Merinvest composite index closing at a new year high of 155.38, in spite of slipping back from levels reached early in the session, *agencies report*.

The index climbed 1.9 per cent, following a 2.2 per cent gain on Monday.

Brokers said that the market was being driven by foreign investors, who were purchasing ADR's in New York. However, turnover remained low yesterday, at 218m bolivars ($1.3m).

Brazil

Shares in São Paulo were off 1.7 per cent in light early trade. *The Bovespa index was down* 890 at 52,028 in low volume of R$83m ($97.3m).

The president of the exchange said the stock market was expected to enter a volatile phase ahead of the presidential election on October 3.

Bullion gains lift golds

The breakthrough of the bullion price through key resistance levels took gold stocks and mining shares higher, while the gold index rose more than 3 per cent or 79 to 2,435 by the close.

Shrugging off a firm financial rand, gold shares rose in early trade in line with the gold price through $392 an ounce, levelling off as the metal consolidated for a few hours, and then continued upwards as gold made a late break through $395 before slipping back to around $393/94 by the close.

Traders said that they expected gold to regroup at the new higher level of above $392 or $395, and said they did not expect it to advance on $400 in the short term.

The overall index made 36 to 5,801 and the industrial index shed 15 to 6,438.

De Beers added R1.25 to R106.50, and Anglos R4.50 to R242.50.

Golds made large gains with *Loraine adding R2.25 to R25.50* . Oryx rising 50 cents to R6.10 and Kloof R2.75 to R70. Gold Fields was R5 higher at R130.

EUROPE

Continent turns lower in wake of US figures

After a generally positive morning session bourses turned negative following the release of disappointing US trade figures.

The lack of an announcement on German M3 data also left many investors in a holding pattern. The figures are *due this week – possibly today.* Analysts have been expecting an M3 figure of around 8.8 per cent to 9.0 per cent from 9.8 per cent in July, but there were worries yesterday that the figure could be worse.

ZURICH fell in the wake of the US data as the weaker dollar *put pressure on dollar earners* and index heavyweights. The SMI index finished 28.7, or 1.1 per cent, lower at 2,593.0.

Kleinwort Benson, however, has raised its recommendation on the market from underweight to overweight, citing rising expectations of better earnings prospects for the banks and pharmaceutical stocks combined with a more defensive trend in equity investment towards the end of tha year. It argued that the save haven qualities and liquidity of the market would outweigh currency concerns through to the end of 1994.

CS Holding fell SFr16 to SFr548 after the group said it was making a takeover bid for the Swiss regional Neue Aargauer Bank, which was marked SFr40 lower to SFr1,970. UBS, which has a stake of about 12 per cent in Neue Aargauer, saw its bearers slip SFr7 to SFr1,193.

Nestlé gave up SFr12 to SFr1,201 on futures related selling. Ciba registered dipped SFr15 lower to SFr761.

Registered shares in Swissair fell SFr35 or 4.1 per cent to SFr815 after the company announced a bigger than expected first half net loss of SFr48m. Forecasts had ranged between a loss of SFr25m and a profit of SFr35m.

FRANKFURT was pushed and pulled by the bond market, then dragged down further by the US data which hit Ibis trading. The Dax index closed the official session off 17.8 at 2,078.96, falling to 2,059.15 in the afternoon session.

Turnover was DM6bn.

Holzmann and Hochtief still featured following Monday's stake building by the latter and the publication of some buy recommandations. Holzmann rose DM41 to DM923, while Hochtief gained DM4 to DM1,034 and RWE, the parent company, slipped DM1 to DM458. In late trading Hochtief picked up DM2 to DM1,035 and RWE weakened further to DM455.

Car stocks were weaker with Volkswagen off DM8.7 to DM449, drifting to DM446.50 in the post, Daimler DM10 to DM793 and then to DM780, and BMW DM12 lower at DM780.

PARIS recovered well from the session low as the CAC-40 index settled off 3.62 at 1,919.25, after seeing 1,891.

The day's main news was Michelin, up FFr1.5 at FFr236, just below a session high of FFr237, as the tyre manufacturer announced a healthy first half profit of FFr314m, which was slightly lower than expectations, with some analysts looking at a figure of FFr500m .

The company said that cost cutting was now its top priority, with the full effects of such measures likely to come through in 1996.

MILAN was easier after a subdued session which took its lead from other bourses and the bond markets as investors awaited the outcome of Mr Silvio Berlusconi's meeting with unions tomorrow aimed at reaching accord on pension cuts. The Comit index fell 1.10 to 673.43.

Alleanza, the life insurer controlled by Generali, jumped L302 or 1.9 per cent to 16,582 after reporting a 44.5 per cent rise in first half profit. Other insurers were helped ahead by the news, Generali finishing L33 higher at L39,676, after a low of L39,300, and Fondiaria rising L230 to L11,715, with news of its return to profit coming after the market closed.

Telecommunications issues were hurt by rumours that a large investment fund was pulling out of the sector. Stet fell L21 to L4,630 and Telecom Italia was L52 lower at L4,280.

MADRID fell as bonds dipped and foreign bourses registered losses. The general index gave up 3.71 or 1.2 per cent to 296.72 in relatively high turnover of Pta24bn as the market looked ahead to today's one year T-bill auction at which yields are expected to rise by between five and 10 basis points.

Electrical shares were among the day's biggest losers with Iberdrola down Pta10 or 1.2 per cent at Pta813 and Endesa falling Pta120 or 2.2 per cent to Pta5,400.

AMSTERDAM was driven lower by the effects of weakness elsewhere on the continent, leaving the AEX index off 5.54 at 401.55.

STOCKHOLM was upset by the same problems besetting the other contineotal markets, although domestic investors were still taking stock of the weekend's general election. The Affärsvärlden general index fell 10.3 to 1,432.8.

In a note on the election James Capel remarked that in the short term volatility was likely, but that calmer conditions were probable by the turn of the year.

COPENHAGEN was easier ahead of today's general election, the KFX index losing 0.17 to 96.99.

ISTANBUL rebounded 4.9 per cent after the prime minister, Mrs Tansu Çiller, acted to ease political uncertainty by calling a by-election, and remarked that privatisation remained high on her agenda.

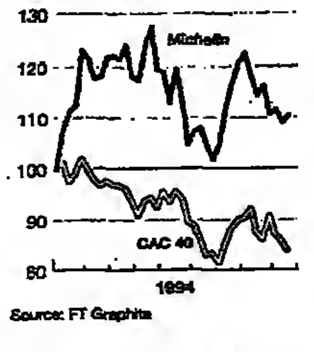
The composite index, which lost 3.8 per cent on Monday, regained 1,123.26 to 23,908.35 as Mrs Çiller shrugged off rumours of a possible crack in her three-year-old coalition government, adding that the austerity programme would not be replaced by election spending.

WARSAW fell 3.4 per cent after the government announced plans to press ahead with long heralded plans for a stock market transaction tax from the beginning of next year. The Wig index lost 322.4 to 9,290.7.

Written and edited by John Pitt and Michael Morgan

Michelin

Share price and index rebased



Source: FT Graphite

FT-SE Actuaries Share Indices

Sep 20 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1348.83	1347.58	1345.13	1345.90	1348.57	1343.85	1344.57	1342.33
FT-SE Eurotrack 200	1396.90	1394.61	1391.99	1392.12	1392.91	1389.38	1388.80	1386.74

THE EUROPEAN SERIES

	Sep 19	Sep 16	Sep 15	Sep 14	Sep 13
FT-SE Eurotrack 100	1356.96	1358.91	1368.54	1360.68	1367.41
FT-SE Eurotrack 200	1404.56	1406.26	1415.84	1401.55	1412.44

Base 1000 (26/10/90); High/day: 100 - 1349.05, 200 - 1397.07 Low/day: 100 - 1340.63 200 - 1384.32 † Partial

ASIA PACIFIC

Nikkei average rises for the first time in four days

Tokyo

Broad based buying by public funds supported share prices and the Nikkei index gained 1.4 per cent, rising for the first time in four trading days, *writes Emiko Terazono in Tokyo*

The Nikkei index rose 283.16 to 19,837.27 after a low of 19,601.72 and a high of 19,842.17. Public postal and pension funds supported prices in early trading followed by *late afternoon arbitrage* buying which countered selling by corporate investors looking to boost earnings ahead of the interim book closing. Foreign investors were also seen purchasing car stocks.

Volume totaled 342m shares against 257m. The Topix index of all first section stocks rose 19.43 to 1,581.11 while the Nikkei 300 gained 3.69 to 288.96. Gainers led declines by 821 to 227, with 126 issues remaining unchanged.

In London, the ISE/Nikkei 50 fell 3.47 to 1,289.11.

In spite of the rise, traders said that concerns over the currency market still affected investor confidence. "A possible breakdown in *US-Japan* trade talks and higher inflationary data out of the US could push the yen higher," said a Japanese brokerage. The Bank of Japan was seen heavily intervening on the Tokyo foreign exchange market yesterday.

Telecommunication stocks, recently battered by heavy selling, gained – Nippon Telegraph and Telephone recovered Y10,000 to Y898,000 and Japan Telecom, a second section stock and the direct trigger of the recent decline in investor confidence, gained Y40,000 to Y4.17m.

Banks, which had fallen sharply on Monday on profit-taking ahead of the September end book closing, regained some ground. Industrial Bank of Japan added Y30 to Y3,030 and Fuji Bank Y30 to Y2,080.

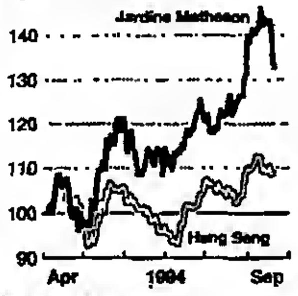
Car stocks were bought by overseas investors. Nissan Motor added Y33 to Y818 on buying by a Hong Kong based fund. Toyota Motor rose Y30 to Y1,980 and Honda Motor added Y60 to Y1,670.

Steel makers were actively traded. Nippon Steel, the most active issue of the day, rose Y7 to Y385 and Kawasaki Steel Y11 to Y433.

In Osaka, the OSE average put on 166.08 to 21,981.61 in volume of 246.5m shares. Gains in the retail and drug sectors supported the index.

Jardine Matheson

Share price and index rebased



Source: FT Graphite

Roundup

The region showed a lack of opportunities yesterday. Seoul and Taiwan were closed *for* public holidays.

HONG KONG finished slightly firmer after a day of featureless trade as investors held back ahead of today's the mid-autumn festival.

The Hang Seng index added 23.32 to 9,824.75, having fallen below 9,800 briefly in the afternoon. Turnover was a thin HK$3.1bn against Monday's HK$3.05bn.

Continued selling of Jardine Matheson pushed it down HK$3.00 to HK$69 while Hongkong Land fell 35 cents to HK$19.50.

Speculative buying was seen, however, in shares that might join the Hang Seng index next year when the Jardine companies delist from the Hong Kong market. Amoy Properties was up 30 cents to HK$10.75 and Henderson Investment *advanced 17.50 cents to* HK$7.475.

KUALA LUMPUR was supported by speculative demand, fuelled by revived hopes of an early election and various corporate rumours, and the composite index rose 4.99 to 1,185.65.

MBf Capital jumped 56 cents to M$3.98 in very heavy volume of 45m shares amid rumours that a prominent businessman was about to begin negotiations to take over the company. Its holding company, MBf Holdings, rose 40 cents to M$2.51.

SINGAPORE saw index-linked stocks put in a strong performance with gains in several *key stocks sending* the Straits Times Industrials index up 24.36 to a day's high of 2,296.21.

Most of the other Singapore shares were neglected while trading in over the counter Malaysian shares took the larger slice of the market's activity.

close as the market entered deeper into a consolidation phase. The composite index lost 16.02 to 2,920.19.

Volume surged to 3.1bn shares valued at 1.42bn pesos from 2.38 bn worth 1.28bn pesos.

Heavy selling was seen in a number of issues as investors took profits: Metropolitan Bank & Trust lost 4.2 per cent to 795 pesos from 830 pesos. Oil refiner Petron lost 3.45 per cent *to* 21 pesos.

PLDT dropped 1.6 per cent to 1,540 pesos, following its overnight decline in New York.

SYDNEY fell back in a dull session, pulled down by a decline on the futures market.

The All Ordinaries index lost 4.0 to 2,045.1, off its day's high of 2,058.3.

The September futures contract dropped 6 to 2,032.

Turnover was A$474.3m, in volume of 188.7m shares.

Gold moved against the trend, with the index adding 49.1 or 2.2 per cent to 2,263.9 as the bullion price firmed. Homestake Gold rose 15cents to A$1.90 and Poseidon Gold rose 16 cents to A$3.66.

News Corp fell 19 cents to A$8.45, with John Fairfax down 4 cents at A$2.71.

CBA fell 7 cents to A$7.80, with Westpac down 5 cents to A$4.32 and NAB falling 16 cents to A$10.26.

ANZ rose 1 cent to A$4.01.

WELLINGTON was easier, led by falls in Telecom and Carter Holt.

The NZSE-40 capital index closed at 2,087.32, down 18.35. Telecom was 10 cents lower at NZ$5.10, Carter of 8 cents at NZ$3.85.

Fletcher gained 2 cents to NZ$4.44, but volume was heavy at nearly 2m shares.

BOMBAY fell sharply amid heavy speculative selling, as investors booked profits ahead of tomorrow's close of the fortnightly trading account. The BSE 30-share index fell 65.41 or 1.4 per cent to 4,488.38 in the absence of any demand from *foreign institutional investors.*

KARACHI found institutional support and buying in select financials although an anti-government strike clouded sentiment. The KSE 100-share index rose 2.53 in thin trading to close at 2,206.86.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 19 1994								FRIDAY SEPTEMBER 16 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	174.26	-0.5	164.78	108.79	140.68	155.74	-0.5	3.56	175.13	163.92	108.44	140.00	156.56	188.15	141.14	141.96
Austria (17)	188.98	-1.1	178.70	117.98	152.56	152.56	-0.2	1.05	191.17	178.92	118.45	152.81	152.94	198.89	164.64	172.30
Belgium (37)	169.31	-1.5	160.10	105.70	136.68	133.43	-0.5	4.14	171.94	160.93	107.44	137.45	134.16	177.04	143.82	150.40
Canada (104)	140.25	0.7	132.62	87.56	113.22	137.24	0.8	2.45	139.26	130.34	87.02	111.32	136.18	145.31	120.64	123.75
Denmark (33)	254.81	-0.9	240.95	159.08	205.70	211.93	-0.1	1.40	257.11	240.65	160.66	205.53	212.05	275.79	223.94	230.51
Finland (24)	177.11	-1.3	167.48	110.57	142.98	183.97	-0.8	0.77	179.48	167.99	112.15	143.47	185.46	181.70	104.28	107.00
France (97)	169.32	-1.1	160.11	105.71	136.69	140.89	-0.1	3.12	171.14	160.18	106.94	136.80	141.10	185.37	159.34	166.70
Germany (56)	143.37	-1.3	135.57	89.51	115.74	115.74	-1.0	1.78	145.21	136.65	91.37	115.86	116.86	150.40	124.39	127.25
Hong Kong (56)	404.03	-1.4	382.05	252.24	326.18	400.82	-1.4	3.06	409.81	383.57	256.09	327.60	406.55	506.56	292.08	293.22
Ireland (14)	213.79	0.2	202.16	133.47	172.59	193.76	0.5	3.29	213.29	199.63	133.28	170.50	192.76	216.80	161.54	167.81
Italy (59)	82.27	-1.1	77.80	51.36	66.42	96.36	-0.2	1.81	83.18	77.86	51.96	66.50	96.59	87.78	57.88	74.56
Japan (469)	158.09	-0.8	149.49	98.70	127.63	98.70	-0.8	0.78	159.43	149.22	99.82	127.45	99.82	170.10	124.54	156.96
Malaysia (97)	589.82	0.1	557.74	368.23	476.17	580.62	0.1	1.43	589.35	551.61	368.27	471.12	579.97	621.63	392.03	399.77
Mexico (18)	2336.46	0.0	2209.34	1458.87	1886.15	8679.14	0.0	1.18	2336.46	2186.82	1459.98	1867.71	8679.14	2647.08	1615.17	1689.20
Netherland (27)	211.92	-1.3	200.40	132.31	171.09	168.36	-0.3	3.42	214.63	200.89	134.12	171.57	168.91	218.19	180.25	182.92
New Zealand (14)	73.67	-0.2	69.66	45.99	59.47	64.81	-0.1	3.69	73.83	69.10	46.13	59.02	64.88	77.59	59.22	60.14
Norway (23)	195.08	-1.5	184.47	121.79	157.49	180.30	-0.5	1.83	198.00	185.32	123.73	158.28	181.26	211.74	165.52	173.87
Singapore (44)	367.82	-0.3	347.81	229.64	296.94	250.97	-0.5	1.68	369.03	345.39	230.60	295.00	252.20	378.92	285.31	289.67
South Africa (59)	306.24	-1.4	289.57	191.19	247.22	294.84	-1.4	2.17	310.45	290.57	193.99	248.17	298.90	314.24	184.39	189.46
Spain (42)	140.09	-1.0	132.48	87.46	113.09	136.66	-0.1	4.22	141.45	132.39	88.39	113.07	136.69	155.79	128.88	137.84
Sweden (36)	226.46	-1.3	214.14	141.38	182.82	250.07	-0.9	1.59	229.49	214.79	143.40	183.45	252.28	231.35	175.83	185.18
Switzerland (47)	166.18	-0.4	157.14	103.75	134.15	132.65	0.7	1.83	166.77	156.09	104.21	133.91	131.93	176.56	136.89	137.54
United Kingdom (204)	196.78	-0.7	186.07	122.85	158.56	186.07	0.4	4.05	198.06	185.39	123.78	158.35	185.39	214.96	181.11	187.84
USA (517)	192.02	-0.1	181.57	119.88	155.01	192.02	-0.1	2.82	192.14	179.83	120.05	153.59	192.14	196.04	178.95	187.59
EUROPE (718)	171.25	-1.0	161.83	106.91	138.24	151.99	-0.1	3.05	172.97	161.89	108.09	138.27	152.07	178.58	153.98	157.13
Nordic (116)	219.44	-1.2	207.50	137.00	177.16	208.11	-0.7	1.42	222.18	207.95	138.83	177.61	209.49	222.18	173.19	176.65
Pacific Basin (748)	168.70	-0.8	159.53	105.32	136.20	110.15	-0.9	1.10	170.08	159.19	106.28	135.97	111.14	176.86	134.79	161.09
Euro-Pacific (1466)	169.65	-0.9	160.42	105.91	136.96	126.80	-0.5	1.93	171.18	160.22	106.96	136.84	127.48	175.14	143.88	158.32
North America (621)	188.80	0.0	178.53	117.87	152.41	188.22	0.0	2.81	188.85	176.76	118.01	150.96	188.26	192.73	175.67	183.64
Europe Ex. UK (514)	153.73	-1.2	145.38	95.97	124.10	131.71	-0.3	2.46	155.59	145.63	97.23	124.38	132.11	158.12	134.97	137.83
Pacific Ex. Japan (279)	270.40	-0.7	255.69	168.81	218.29	240.08	-0.7	2.71	272.26	254.92	170.13	217.64	241.77	298.21	200.42	201.24
World Ex. US (1647)	171.67	-0.8	162.33	107.18	138.59	130.78	-0.5	1.94	173.14	162.05	108.19	138.40	131.45	178.85	145.58	159.35
World Ex. UK (1960)	175.50	-0.6	165.95	109.56	141.68	145.94	-0.4	2.08	176.49	165.18	110.28	141.08	146.57	178.59	155.96	165.82
World Ex. So. Af. (2105)	176.57	-0.6	166.96	110.23	142.54	148.53	-0.3	2.25	177.56	166.15	110.96	141.94	149.03	180.03	158.54	167.74
World Ex. Japan (1695)	189.58	-0.5	179.26	118.35	153.04	179.82	-0.1	2.86	190.45	178.25	119.01	152.24	180.02	195.20	174.04	175.52
The World Index (2184)	177.39	-0.5	167.73	110.74	143.20	149.60	-0.3	2.25	178.40	166.98	111.48	142.61	150.13	180.80	158.85	167.77

Latest prices unavailable for this edition. **DELETIONS:** 20/9/94 Treibacher Chem (Austria), 21/9/94 Loc Minerals (Canada), McCaw Cellular Communications (USA).

FINANCIAL TIMES SURVEY

INTERNATIONAL EQUITY OFFERINGS

Wednesday September 21 1994

Though equity prices have weakened this year, the flow of global issues has held up, **Tracy Corrigan** writes. But is the heavy autumn schedule too much?

It's no longer a seller's market

Activity in the international equities market has held up surprisingly well this year, given the adverse market conditions which have undermined share offerings.

Despite the reversal of sentiment in the world's financial markets triggered by the rise in the US Federal Reserve's interest rate in February, international syndicated equity offerings launched in the first half of 1994 totalled $32bn, according to Euromoney, compared with $38bn for the whole of 1993. (Figures include all international tranches of equity offerings but exclude funds, preference shares, convertible bonds and bonds with equity warrants).

However, the raw numbers do not fully reflect the reality of the international equities market this year. The fact is that offerings have become much harder to place, and a large number of deals have had to be postponed, cancelled, cut in size, or have their pricings adjusted to make them more attractive to investors.

The heavy flow of new issues in the first half of the year, despite the poor performance of underlying stock markets, created severe indigestion in the new issues market. A lull in activity during the summer months, and a recovery in some stock markets, has helped the new issues market regain some of its composure, but there are still concerns that the heavy schedule of offerings for the autumn will be hard to absorb.

"The buyers are coming back and some deals are going well, but there is nervousness about the volume that is waiting to come crashing down," says Mr Amir Eilon, a managing director of Barclays de Zoete Wedd.

Investors have become more choosy about companies and pricing levels they will accept. In the bull market of the early 1990s, it was a seller's market. Fund managers had only recently woken to the attractions of diversifying their assets and were hungry for stocks from new markets to which they had little exposure. The partial removal of restrictions on share ownership in emerging markets encouraged a feeding frenzy, often with little heed to the fundamentals of the companies involved.

The hardening of attitudes this year was partly spurred by the poor performance of some deals such as Ina, the Italian insurance company, and Austria's Mayr-Melnhof. However, the change of sentiment has been felt across a range of markets and sectors and cannot be pinned to any one deal, according to investment bankers.

"Investors are still there for good specialist stories, but they are staying away from overpriced deals," says Mr John St John, a director of Kleinwort Benson.

Those issuers unwilling to cut pricings to suit investors have in some cases had to shelve offerings. Among notable deals indefinitely postponed this year were Italian savings bank Cariplo's L1,650bn offering and a planned $1bn issue for Videsh Sanchar Nigam, the telecommunications monopoly, by the Indian government, which would not cut a price thought too high by fund managers.

Other ambitious offerings have had to be scaled back. For example, Liberty Life, the South African insurance group, had to cut its planned $500m global convertible bond offering to $300m, partly because of jitters caused by the resignation of the finance minister shortly after the elections.

Smaller deals have also suffered. For example, Ayala Land of the Philippines recently pulled a planned $100m offering of convertible bonds via Morgan Stanley. It was the company's second attempt to tap the market, having previously failed to bring an offering of global depositary receipts (GDRs).

Although the nature of the international equities market is that offerings are distributed among a wide range of investors, two groups of investors – in the US and the UK – have played a pivotal role in the market's development. The appetite of investors in the US market has given US houses with an international presence and domestic distribution a particularly strong platform for international equities business in recent years.

However, as the turn in sentiment hit the US market first, US investors have proved particularly selective. Arguably, domestic US deals have suffered most. But there has also been a sharp decline in US demand for international offerings. For example, the French privatisation issue for UAP, the insurance company, suffered from poor US take-up.

The UK market has also been an important source of funds for the international equities market. According to estimates by Kleinwort Benson, the broking house, about £9bn of the £52bn of cash flow generated by UK institutions this year is likely to be dedicated to foreign equities – a decline from last year's level of £10bn or 20 per cent. That percentage, after rising steadily for a number of years, appears to have plateaued out.

There has also been a shift of focus from the regional to the sectoral, which originated among US institutional investors. Historically, fund managers made decisions on asset allocation on a country-by-country, or region-by-region basis. But, as the understanding of the differences between regions has become more sophisticated – and as differences in countries' practices have started to be ironed out – more fund managers have looked at industry sectors, such as telecommunications, on a global basis. The result is a keener focus on the value offered by particular companies within their industry.

This year, investment bankers have been spending a lot of time on the phone to finance directors, explaining why deals they have been mandated to arrange should be put on hold. However, some underwriters have been criticised for promising more than they can deliver to win mandates. But for most companies the fear of a failed issue, or the unwillingness to sell assets cheaply, overrides the need for financing.

The exceptions are the sizeable number of European governments which need to raise funds through privatisations to finance deficits, and cannot afford to wait. These governments are more likely than companies to accept reduced profits from the sale of shares.

However, the privatisation free-for-all has exacerbated the problems caused by market conditions. In the early years of privatisations, governments operated an unofficial queueing system, whereby they timed their large offerings to avoid a surplus of deals at any one time. Governments may react by skewing placement of privatisation deals towards their domestic markets, as is likely to be the case with Renault, the French carmaker.

For investors, the positive side of the situation is that they are more likely to find bargains. For example, global depositary receipts are now being offered by Indian companies at substantial discounts.

The lull during the summer has "taken the froth off the market," according to one investment banker. "Those companies which are coming to the market are being much more pragmatic."

Despite this year's more difficult market conditions, competition for business remains fierce. For the year to date, Goldman Sachs leads Euromoney's league table of book-runners. However, the weakening of appetite among US investors has led to a slight decline in the dominance of US institutions, with only four US houses in the top 10 for the year to date, compared with seven in 1993.

The main gainers have been Paribas, which has jumped to second place, with only eight mandates, and Deutsche Bank, which has reached sixth place with only three deals. Among the losers, Salomon Brothers has dropped from seventh to 12th place and J.P. Morgan slid from ninth to 19th position.

Away fom the ebbs and flows in the fortunes of individual underwriters, it is clear that new business has developed in the international capital markets over the past five years.

The vogue for privatisation which has swept the world has been part of a broader opening up of equity capital markets.

Fund managers and financial analysts are no longer stock pickers within a single market, but have to get to grips with a wide span of companies and markets. That is illustrated by this week's European Federation of Financial Analysts' Societies congress in Edinburgh, where subjects range from China to South Africa.

Companies in small or underdeveloped economies can now raise funds from a potentially vast base of investors. Even companies in developed economies find they have striking new opportunities: German companies, for example, are starting to access the international equities market, signalling a loosening of the ties with their bank shareholders.

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Editorial production *Gabriel Bowman*

New issues in Europe

The birds that are worth shooting

European governments and companies hoping to tap the international equity market this autumn would do well to take a crash course in grouse-shooting to come to grips with the current mood among potential buyers of their shares.

Whereas last year, the bullish background of falling interest rates enabled investors to make money by subscribing to issues on a fairly indiscriminate basis, the more difficult investment climate this year and the heavy supply of equity issuance which is likely to emerge to the coming months have made them far more selective.

"The shooting season has started, but this time the strategy is not to shoot into the covey of grouse but to target one particular bird," says Mr Ludovico del Balzo, head of international equity capital markets at Lehman Brothers.

His advice to issuers is to focus on tactics and strategy when it comes to preparing their offering. "Issues need to be well-priced and well-conceived," Mr del Balzo says.

In general, bankers are confident that realistically-priced issues will meet strong demand from international investors who, they say, have returned from their summer holidays with a positive outlook on the markets. As a result, they will be looking for the right investment opportunities to help reduce the high cash portions in their portfolios which are believed to be running at close to or above their limits.

Mr Jerker Johansson, head of European equity capital markets at Morgan Stanley, detects a desire among investors to increase their exposure to cyclical companies which they believe are most likely to benefit from economic recovery. "Cyclical companies are a large component in Europe," he says. He adds that there is also a strong interest in telecom stocks, providing the pricing is reasonable.

With supply likely to outweigh demand, pricing and the company itself are set to be the key issues this autumn and early next year, not the fact that a privatisation programme is under way.

Ms Lorna Harnby, a European fund manager at Fleming Investment Management, says that her strategy will be to look at each issue on its individual merits.

"Just because it's a privatisation issue is not a good enough justification for investment," she points out. In her view, investors are suffering from "privatisation malaise. These issues are not a one-way ticket to make money and, if says. you look at the history of continental privatisation, that view has been vindicated."

> Investors are suffering from "privatisation malaise. These issues are not a one-way ticket to make money"

Another reason for what she describes as her "healthy scepticism" is that the forthcoming flood of privatisation issues across Europe is not accompanied by a strong equity culture or a strong ideological reason. "There is less incentive to make sure that the small investor does well... one reason is that the governments need money to fund their huge budget deficits," she says.

Evidence of a strong economic recovery in Germany has provided the government with a favourable backdrop to the latest stage of its privatisation of Lufthansa, the national airline. Although the company has seen a dramatic turnaround in its fortunes over the last two years as a result of extensive restructuring, some analysts believe that its earnings will receive a further boost from a buoyant domestic market.

By not participating in Lufthansa's capital increase which is currently under way, the government will reduce its stake from 51.4 per cent to about 41 per cent by offering 3.9m shares to investors. The government also hopes to sell a further 2.1m existing shares, thereby reducing its stake further to around 36 per cent.

The government has placed considerable importance on involving international investors in the Lufthansa offering so as to gain their support for the planned privatisation of Deutsche Telekom, the country's telephone monopoly. The initial privatisation should raise DM10bn to DM20bn, which could not be absorbed by domestic investors alone.

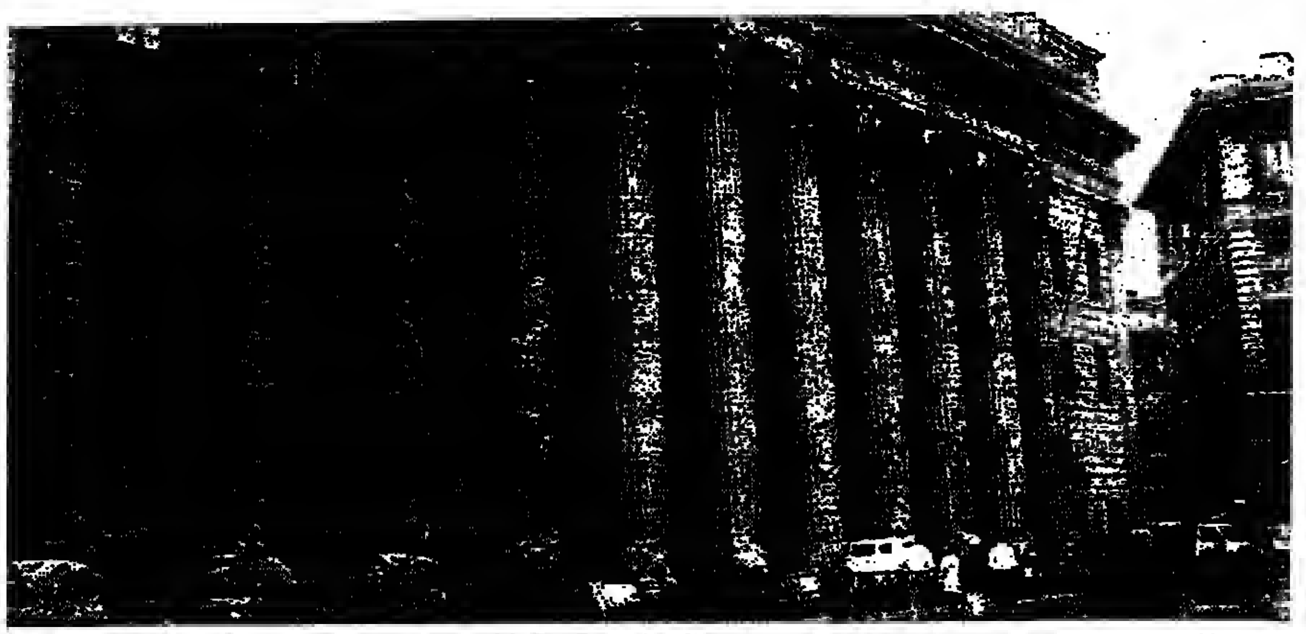
> Governments need to fund their budget deficits, so "there is less incentive to make sure that the small investor does well"

Bankers have criticised Lufthansa's decision to exclude US investors from its offering, since by so doing it has cut out the single most important source of equity capital in the world. However, US investors are expected to be invited to next year's sale of shares in Lufthansa and the Deutsche Telekom offering.

The Deutsche Telekom share sale is unlikely to occur before 1996 but investors wanting exposure to the sector will be able to choose from a variety of issues before then. The Greek government is seeking to raise $1bn from the sale of 25 per cent of shares in OTE, the Greek telecoms monopoly. It hopes to sell 75 per cent of the shares abroad. The offer should take place before the end of the year.

The Portuguese government also plans to sell off 25 per cent of the country's telecom company early next year. The transaction could run into several hundred million dollars, bankers say. This offering could well coincide with the next stage in the privatisation of Italy's telecoms holdingcompany, Stet.

Antonia Sharpe



The Stock Exchange building in the Italian capital was originally a Roman temple

Ashley Ashwood

First a surge, then the market slips back

The strange effect of elections in Italy

Elections do strange things to equity markets, and Italy in 1994 has proved no exception to this rule.

Immediately after the victory of Mr Silvio Berlusconi's right-wing alliance in March, the Italian stock market surged ahead on the strength of bold campaign promises to re-energise the Italian economy and press forward with the privatisation programme launched by previous technocratic governments.

The Comit index of principal stocks rose from just under 700 to more than 800 by the beginning of May. But concern about the implementation of those promises and the coherence of the Berlusconi coalition has taken its toll on financial markets. By mid-September the Comit index was back below 670.

Companies and the government initially hurried to take advantage of the favourable conditions to raise capital. Since January this year, rights issues and privatisations in Italy have raised nearly L25,000bn, of which nearly L10,000bn is represented by state sell-offs.

Unfortunately for those planning equity offerings, there was a vertiginous gap between inspiration and execution, and certain companies and their advisers found themselves in the painful position of having to straddle that gap. Even as company executives were tiring themselves out on international road shows to promote their offers, the market was undermining their best hopes about pricing.

Two of the biggest international issues planned this year – a L1,500bn offer of shares and warrants by Mediobanca, the merchant bank, and the L1,650bn share issue by Cariplo, Italy's biggest savings bank – were postponed at the last minute when market conditions turned against them.

Those which went ahead were also punished. The privatisation of Ina, the state-owned insurer, raised more than L4,800bn for the Italian Treasury in June, but when its shares began trading they rarely rose above the issue price of L2,400, and were less than L2,250 by mid-September.

Iri, the state holding company, successfully sold its remaining 54 per cent stake in Banca Commerciale Italiana (BCI) in March with a L2,900bn international offer, but the bank disappointed the market less than three months later when it announced plans to raise more than L2,300bn of extra capital through a discounted rights issue. The first L1,575bn tranche of this issue has been successfully completed, judging from indications as this survey was going to press, but the shares were trading this month at around L3,600 compared with L5,341 before the intention to raise capital was revealed.

Analysts are careful to point out, however, that companies such as Mediobanca and Cariplo did not *need* to raise capital. Mediobanca's issue of shares, for example, was partly aimed at diluting the 50 per cent holding of the bank's traditional shareholders to about 40.6 per cent, thus widening the ownership of its shares.

In addition, a distinction should be made between international and institutional demand for these issues, and domestic public demand. In recent months, there have been definite signs of issue fatigue among the Italian public, but international investors – some of whom wanted to boost their exposure to Italian equities – remain broadly receptive to big issues.

Mr Vittorio Pignatti-Morano of Lehman Brothers in Milan – joint global co-ordinator of the BCI issue – says there is always the option of lowering the price or scaling down the amount of shares to entice the institutional investor to buy. "The real problem is the public offer for sale," he says. "They either buy or they don't buy, and the retail banks [which help market the public share offer] are still learning."

Mr Pignatti-Morano points out, for example, that when public demand turned out to be lower than expected for another issue co-ordinated by Lehman – the L130bn international offer of shares in Finanza & Futuro, a financial services company – the company simply asked Consob, Italy's stock market watchdog, if it could restructure the deal so that more shares went to international institutions.

However, the Berlusconi government is still cautious about forthcoming privatisations, which should include the sale of shares in Enel, the electricity generator; Stet, the telecommunications holding company; and Eni, the oil, gas and chemicals holding company. Not only are these the largest of the state-owned companies being considered for sale, they are also among the most complex and politically the most sensitive.

For example, recent ministerial statements have clearly pushed Enel to the front of the queue for privatisation.

But before such a move can be made, Mr Vito Gnutti, the industry minister, and his colleagues must win political consensus about how to execute such a sale (for example, whether the different functions of the company should be split up to be sold separately) and what sort of regulatory authority should supervise the electricity sector.

In the meantime, the government may learn from some of the setbacks of the past few months. Mr Berlusconi is acutely sensitive to the international judgment of his administration, particularly in economic matters. Analysts hope and believe that he will think twice before attempting to foist privatised equity on foreign institutions at inflated prices.

Andrew Hill

Alice Rawsthorn analyses changing market fortunes in France

Slowdown after hectic pace

There was a time when Paris brokers were wont to grumble and groan about the dearth of equity coming on the French stock market: in fact, it was regarded as one of the main reasons for the relatively immature state of equity trading in France.

Times change. The French market has been positively saturated with new issues for most of this year, thanks to the combination of the government's privatisation programme with a series of private sector flotations and a stream of capital raising exercises from existing publicly-quoted companies.

"This year will go down in French market history as by far and away the biggest for new issues of all kinds," says Mr David Harrington, French market analyst at James Capel in Paris. "The market has been absolutely sozzled with new equity."

However, most of the new issues were concentrated in the opening months of the year. The pace of activity declined during the seasonal lull of the summer holiday and has picked up slowly this autumn. There has been a significant reduction in the volume of new equity coming on to the market in the second half of 1994 compared with the first. Does this mean that the Paris brokers will soon be grumbling about a shortage of new issues again?

The reasons for the slowdown are easy to see. The frenetic pace of activity during the first half was triggered primarily by the extremely buoyant state of the stock market in the opening weeks of the year. The CAC-40 index raced ahead at the beginning of 1994 to reach an historic peak of 2360.98 on February 2.

The index then fell steadily until early June when it dipped below the psychologically important 2000. It has hovered around that level ever since. The French economy is certainly *not* to blame for the market's bearish mood. Insee, the state statistics institute, has since early spring been churning out some remarkably reassuring monthly statistics on almost every area of the economy, from industrial production to employment.

But the brighter economic outlook has failed to counter the negative impact of the weak bond market. Concern about the volatility of the US economy, fears of rising interest rates and nervousness about Germany's money supply figures have all taken a toll on bonds and then on equities.

However the downward trend in the stock market in February encouraged, rather than discouraged, the influx of new equity, at least for a while. The big issues of the early months of the year – notably the sale of the state's FFr35bn stake in the Elf Aquitaine oil group – were fuelled by the rising market. The next wave of issues, such as March's FFr3.96bn offer from the Peugeot motor group and FFr1.9bn issue from the Axa insurance concern, were characterised by concern that, if the market was turning bearish, these companies should raise money sooner rather than later.

> The presidential elections have cast a cloud of uncertainty over currency and equity markets

Some FFr108bn of new equity arrived on the French stock market in the first six months of this year. "It's a massive amount of new stock," says James Capel's Mr Harrington.

"The typical value of new issues over the past few years has been FFr35bn to FFr40bn. You only realise how extraordinary the level of activity has been in 1994 if you think that more money was raised in the first half than in the whole of 1993, which was itself a record with FFr89.5bn."

The pace of new issues has since slowed down. The economic outlook is still improving. Even the recent *increase in bank base rates* (at a time when the Bank of France has refused to raise rates to stay in line with Germany's Bundesbank) did little to dampen spirits. Mr Paul O'Brien, chief French economist at J.P. Morgan in Paris, concluded that recovery was "well-enough established" for the base rate rise to have no more than a "small" impact on the economy.

However, the forthcoming presidential elections, officially set for next spring unless the ill-health of the incumbent, Mr François Mitterrand, necessitates an earlier vote, have cast a cloud of uncertainty over both currency and equity markets. Société Générale recently concluded that political uncertainty was likely to counter any imminent improvement in the bond market.

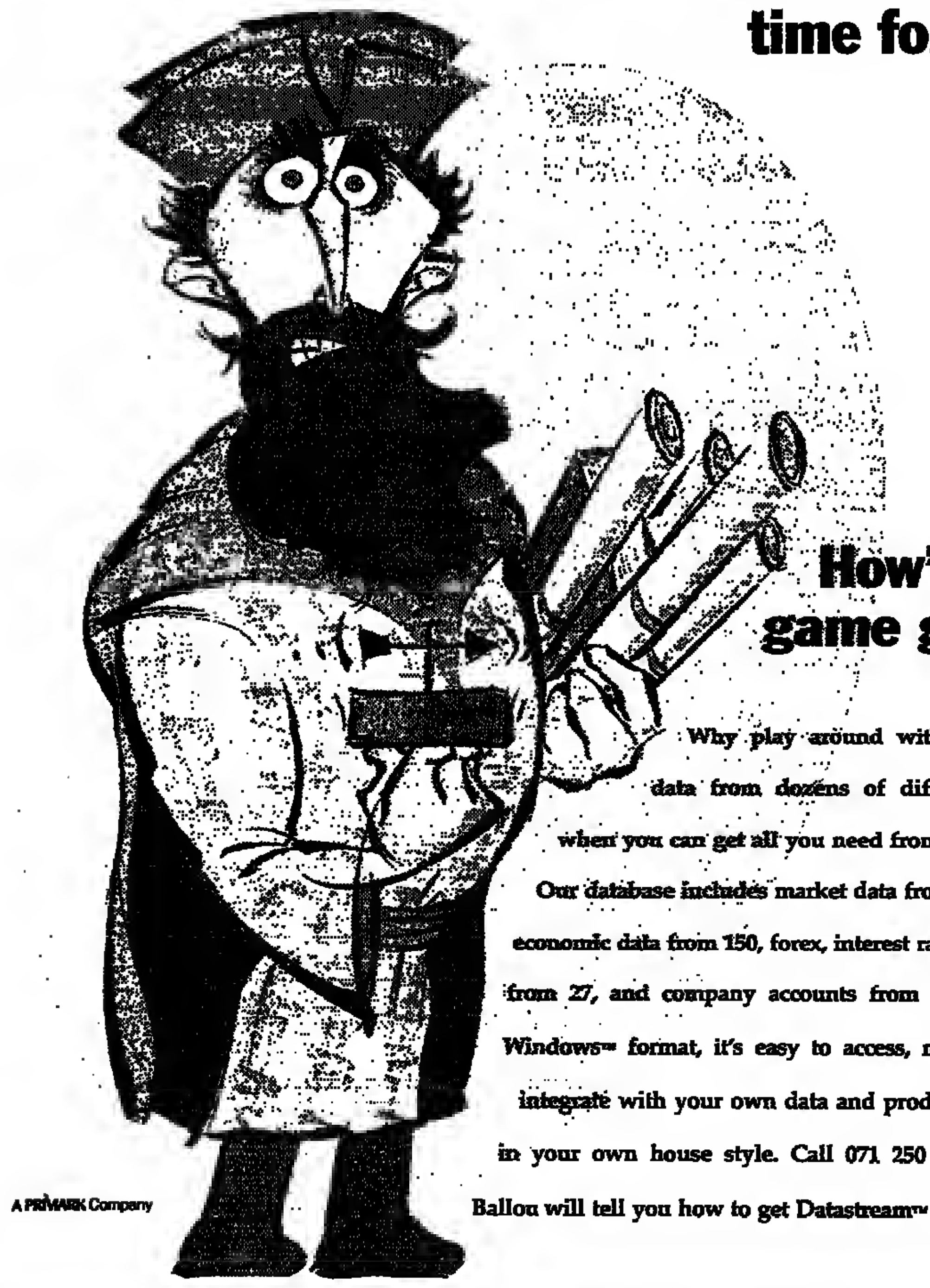
Analysts suspect that, at best, there will only be a modest rally in the French stock market during the closing months of the year. The consensus is that the CAC-40 index will be around 2150 at the end of the year.

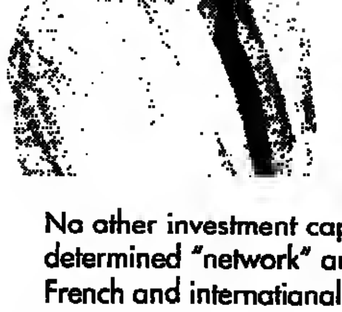
The rate of new issues is starting to perk up again. M6, the television station, is about to commence its flotation. Christian Dior, the fashion house, recently *launched* a convertible issue. Moreover, the government is about to begin the next phase of its privatisation programme, which was temporarily put on ice after the Elf issue and the subsequent sale of the Union des Assurances de Paris (UAP) insurance group.

Mr Balladur and his ministers spent the summer deciding whether the candidate for the next sale would be the Renault motor group or the Assurances Générales de France (AGF) insurance concern. Renault has won and the Paris market is now preparing for the flotation of a large minority stake by the government.

Yet AGF is still waiting in the wings as a future privatisation prospect, with a possible sale pencilled in for early next year, as are the Usinor Sacilor steel group and Boll, the computer company.

Unless the Paris stock market takes a turn for the worse, the flow of new equity in France seems set to be fairly high in 1995, if not quite as high as in this record year.





Antonia Sharpe says the international investor is at last being courted

Germany starts to open up

The latest stage in the privatisation of Lufthansa, the German national airline, is being welcomed by international bankers and investors as evidence that they are finally being allowed to participate fully in one of the world's richest but hitherto closed markets.

Germany's relatively small stock market and the intricate cross-holdings between the country's companies have long prevented foreigners from building up significant investments. As a result, the weighting of German equities in many international portfolios is very low relative to the size of the German economy.

But the ever-stronger need for capital by the German corporate sector as it emerges from recession can no longer be met exclusively by the German state and the country's powerful banks. In addition, domestic institutional investors show no signs of making a radical departure from their traditional preference to hold bonds, even in the wake of the poor performance of the German government bond market this year which has seen yields on 10-year paper rise to 7½ per cent, the highest level since September 1992.

This scenario has prompted German companies and the government belatedly to court the international investment community. The government is believed to be keen to make the sale of its shares in Lufthansa an international event and Dresdner Bank, which is co-ordinating the domestic and international offerings, has appointed a large group of international banks to ensure a wide placement of the shares.

The government intends to reduce its stake in Lufthansa from 51.4 per cent to about 41 per cent by not participating in a forthcoming rights issue. The 3.9m shares which the government will not be taking up will be sold to investors in Germany and abroad, excluding the US.

Some foreign bankers have criticised the decision to exclude US investors this time round, because their absence will dilute the international importance of the transaction.

Lufthansa has decided not to place shares in the US under Rule 144A of the US Securities Act, in order to limit the risk of excessive foreign ownership which could jeopardise its flag carrier status. US investors, however, are likely to be included when the government disposes of the rest of its shareholding, which is scheduled to take place before the end of 1995.

If investor demand is sufficiently buoyant, the government also intends to sell a further 2.1m existing shares which would reduce its stake in Lufthansa to 36 per cent. Since Dresdner will be using the so-called "book-building" process, the scale of the demand will be far easier to judge.

Some foreign bankers have criticised the decision to exclude US investors, but Lufthansa did not want to jeopardise its flag carrier status

Bookbuilding involves collecting investors' bids for the shares, thus helping to establish the most appropriate selling price. By matching the demand for and the supply of the shares on offer, bankers hope to avoid excessive volatility in the shares when they start trading in the secondary market. Bookbuilding also provides greater shareholder transparency which Lufthansa currently lacks because its shares are in bearer rather than registered form.

The timing of the sale coincides with a sharp turnaround in Lufthansa's fortunes. This has been reflected in a doubling in its share price over the past year. That has prompted some concern among investors that they will be buying the shares at the top of the market and at a time when global competition among airlines is becoming increasingly fierce.

The government is no doubt aware of these concerns but bankers believe that the new shares will be priced at only a marginal discount to the prevailing market price. However, since the government is keen for the Lufthansa sale to be an international success, it may scale back the sale of its existing shares in order not to flood the market.

Although the Lufthansa sale is only likely to raise just over DM1bn, it is an important event because it is in effect the dry run for the long-awaited privatisation of Deutsche Telekom, Germany's telecommunications company.

Market valuations of the company range from DM60bn to DM100bn which suggest that the sale of the first tranche of the shares could yield between DM15bn and DM20bn. But investors are likely to have to wait until late 1995 or even 1996 before the shares come up for sale.

In the meantime, Germany's small, privately-owned companies are jumping on the international bandwagon with enthusiasm. In September, Fliemann, a fast-growing manufacturer and retailer of spectacles, raised just over DM200m through the sale of non-voting preference shares to domestic and international investors.

Around one-third of the shares went to international investors and BZW, which was involved in arranging the offering with lead manager WestLB, reported heavy demand as foreigners sought to gain an exposure to Germany's buoyant retail sector.

Bankers believe that German companies have become far more comfortable with the concept of making their shareholder base more international. Indeed, some believe that foreigners are more likely to be long-term shareholders than their domestic counterparts who are seen to be more speculative. This more open attitude should lead to a greater volume of international equity issuance from Germany.

Spain and Portugal have had recent setbacks, writes **Tom Burns**

Waiting for better luck

Hesitations over public offerings by the governments of Spain and Portugal are understandable. When Endesa, Spain's big electrical utility, tapped the markets in June and when Cimpor, Portugal's largest cement producer, followed suit a month later, the results left much to be desired.

Both Spain and Portugal have lacked momentum over recent months and certainly neither, though they have comparatively cheap markets in common, seems set for an early recovery and turnaround.

"Spain has not got a stand-alone story," says Ms Anna MacDonald of London's Smith New Court. Much the same can be said for Portugal.

"Potential underwriters are telling companies thinking about offerings: wait," says Mr Juan Cueto of Madrid brokers Ibersecurities. "There have been unhappy experiences recently."

The Endesa offering, which was affected in subsequent months by the sustained volatility of the Madrid market, is likely to delay a public offering of Repsol, Spain's state-controlled oil, gas and chemicals group, until next year. Before the electrical utility came on offer, INH, the state energy holding company, had planned to reduce its 41 per cent stake in Repsol to around 20 per cent.

A final decision on the Repsol timing is expected by the end of this month. The energy company is talking to the team that handled previous offerings – Lazards, Goldman Sachs and Spain's Banco Bilbao Vizcaya – and the shared view at present is that little is to be gained from an "uphill" move on the markets.

A second privatisation phase of Cimpor, ranging from 20 to 25 per cent of the company and aimed at foreign investors, which had also been scheduled for the coming months, is also likely to be pushed back until 1995. "We'll probably see the government going for controlled auctions because it won't be able to rely on the market," said a London-based merchant banker close to the cement company.

The Spanish government may go for controlled auctions because it won't be able to rely on the market, according to a London merchant banker

Should there be an offering, it can be taken for granted that Cimpor will seek to avoid the mistakes in July that led to a lukewarm response from foreign investors. Chief among the errors was the failure to appoint a global co-ordinator and the absence of any meaningful book building.

The lesson for the Portuguese authorities was that going to the international markets without the appropriate technology is akin to shooting oneself in the foot.

Applying these lessons will, nevertheless, require legislative changes as well as an overhaul in the financial culture of those who take decisions in Portugal's public companies.

Cimpor, which raised Es39.6bn ($241bn) in its disposal of 20 per cent of the state-held equity, was in particular penalised by the legal rulings that caused the Lisbon government to fix the offer price at a cabinet meeting held a full two months before the cement company was on the market. Between the price fixing and the subscription period, the Portuguese market fell 15 per cent.

In this respect any legislative change will, at the very least, have to reduce the government's rôle in an offer to that of establishing a price range instead of a fixed figure. It would also help, as one aggrieved underwriter in the Cimpor offering put it, "if it were publicly announced that there is a real interest in the foreign markets and in having foreign institutions aboard."

The Cimpor experience will probably be a salutary one as Lisbon prepares for future privatisations and there will undoubtedly be global co-ordinators in place should Portugal's telecommunications group and its electricity generating company take the plunge and make offerings next year.

In Spain the problem is not one of expertise. Global offerings in partial privatisation programmes have become very familiar, and profitable, to the likes of Morgan Stanley, Goldman Sachs and S.G. Warburg. Nor is there any difficulty about what is on offer; companies such as Endesa and Repsol can, all things being equal, sell themselves without difficulty.

Nonetheless, the prospects are blurred by the overall market performance. The Endesa offering in June, which reduced the state equity in the utility by 9 per cent to 65 per cent, ended up raising only Pta 144bn ($106m) against the Pta200bn that had been confidently expected when the disposal was planned in February.

"We've had really bad luck with the markets over the past three months and our subscription period closed on a particularly bad day for equities," a member of Endesa's treasury team said ruefully at the time.

Everything that has happened in the intervening months leads Repsol's finance experts to fear the worst should they tap the markets before Christmas. But Repsol does not need that risk factor, particularly as the Spanish treasury, though concerned about the government deficit, is not under such great pressure that it cannot afford to wait.

Instead, financial analysts are turning their attention to Telefónica, Spain's 32 per cent government-owned telecommunications group, and in particular to Tisa, the group's profitable international subsidiary which has grown into the biggest foreign operator in the fast-growing Latin American market.

The parent company is at present locked in negotiations with AT&T and GTE, which could lead to both US companies becoming Tisa shareholders as part of an ever-growing expansion programme in the Hispanic world. To judge by Tisa's expressed ambitions, once such a shareholding venture is sealed and delivered, the next move will be to seek fresh capital on the international markets.

Christopher Brown-Humes on the global impact

Nordic profile raised

Several big privatisations and corporate share issues have been launched in the Nordic region this year, many of them targeted not just at domestic investors but at the global investment community. The process has helped to raise the international profile of a number of the region's big companies – some have used it as an opportunity to gain a listing overseas – and it has further increased the levels of foreign ownership in Nordic stocks.

The relatively small size of the Nordic region's domestic markets is one reason why most of the large share offerings involve a sizeable international element. A good example was the Danish government's sale of nearly 50 per cent of Tele Danmark for DKr19.5bn in April – the biggest share offering in the region this year. Of the 63m shares on offer, only 18 per cent were sold in Denmark, while 41 per cent were placed in the US and 41 per cent in the rest of the world. Tele Danmark gained a simultaneous listing in Copenhagen and New York in April and is now the second largest group on the Copenhagen Stock Exchange.

Most of the region's big share issues in 1994 have been prompted by government privatisation programmes, with Sweden, the region's largest economy, proving the most active. In June the Swedish government sold a 45.8 per cent stake in Pharmacia, one of the world's top 20 pharmaceuticals companies with annual sales of SKr27bn. The issue, directed at both the domestic and international markets, raised more than SKr9bn, leaving the state with just 14 per cent of the capital and 11.7 per cent of the votes in the company.

Pharmacia was the single largest sale in a privatisation programme which has raised SKr23bn (£2bn) for the Swedish state since it was unveiled by the centre-right government in 1991. Another big disposal came earlier this year when the government raised SKr7.6bn from the sale of a 49 per cent stake in AssiDomän, one of Europe's 10 largest forestry groups. The government also sold a 24 per cent holding in OK Petroleum, the Nordic region's biggest oil refiner, to a Saudi Arabian buyer in March.

Whether the Swedish privatisation process goes much further is unclear after this week's general election, which returned the Social Democrats to power, but as a minority government. The Social Democrats have in effect ruled out a privatisation of Vattenfall, the power group, and have been ambiguous about whether they will sell off Telia, the telecommunications concern. Both these companies would have been on the centre-right government's privatisation list.

However, there is a broad consensus behind plans to return Nordbanken to the private sector in a sell-off which will probably take place next year. Nordbanken collapsed into state arms under the weight of huge loan losses in 1992 and has since been merged with Gota Bank, which was also taken over by the state, in preparation for the sale. The country's largest bank in terms of market share, Nordbanken has made a controversial return to profit after many of its problem loans were siphoned off into a separate entity.

The privatisation programme has raised SKr23bn (£2bn) for the Swedish state since 1991

In Norway, too, the process of returning state-owned banks to the private sector has begun. Den norske Bank and Christiania Bank, the two largest banks, have carried out NKr2bn international share offerings in recent months, reducing state ownership to 72.5 and 69 per cent respectively. The government intends to reduce the state's holding in both banks to 50 per cent by the end of 1997.

Finland also has a privatisation programme but has proceeded cautiously, gradually widening ownership in companies rather than moving dramatically below 51 per cent control. This year the state reduced its stake in Outokumpu (mining), Valmet (paper machinery) and Rautaruukki (steel), and it is lining up an initial public offering for Kemira, the state-owned chemicals group, for the autumn or early 1995. Unusually, the proceeds from the disposals are not being garnered by the state, but are being used to strengthen the companies' own balance sheets.

Outside the privatisation sphere, there have also been some hefty share offerings. Nokia, the Finnish telecommunications group, raised FM2.5bn during the summer in the country's largest-ever international share issue. The move, to support the group's fast-growing mobile phones business, was accompanied by a listing on the New York Stock Exchange. Meanwhile in Norway, Norsk Hydro, the energy and fertilisers group, raised NKr4.7bn through a rights issue. Proceeds are to be used to reduce debt, finance expansion and invest in new North Sea oil and pipeline projects.

The autumn agenda looks relatively quiet, possibly because of uncertainties linked to EU referendums in Finland, Sweden and Norway. However, ISS, the Danish industrial cleaning group, has announced plans to issue 3m shares on the New York Stock Exchange, while in Sweden, Stadshypotek, the country's largest mortgage credit institute, is to demutualise and issue SKr3bn worth of new shares.

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US corporate issuers have been taking a break, reports **Patrick Harverson**

Rise in interest rates stems flow

After feasting for more than two years on some of the lowest US interest rates since the 1960s, corporate issuers have been taking a break this year from the US equity market.

The break, however, has been enforced upon them primarily by circumstances: namely, the rise in US interest rates since February, which has unsettled the stock market and steered many investors away from equities towards cash.

Yet the decline in equity offerings has not been as dramatic as some investment bankers on Wall Street may have feared earlier this year, when interest rates were first rising and equities appeared to be heading into a prolonged bear market phase.

According to statistics supplied by Securities Data, the New Jersey financial information group, between the start of the year and September 7, just over $20bn was raised by companies through IPOs in the US market. That compared with $24.2bn in the same period of 1993.

There has been a bigger decline in secondary share offerings, however. Stock worth almost $22bn was issued up to September 7 this year, compared to almost $30bn over the same stretch a year ago. Yet the decline in IPOs and secondary offerings is not that worrying if the fact that 1993 was a record year for equity deals is taken into consideration.

Taking the IPO and secondary issuance together, the volume of equity sales in the US declined only 22 per cent from its all-time peak last year, a solid performance against the background of a significant reversal in the direction of interest rates and share prices.

A lot of the credit for restricting the decline in equity issues this year should go to foreign companies, which have continued in large numbers to tap the US markets for capital in spite of the deterioration in the interest rate climate.

In the year to September 7, foreign companies sold $3.5bn of stock in the US market via IPOs, up from $3.4bn during the same period of 1993. Secondary offerings by foreign companies, meanwhile, have raised $4.7bn so far this year, compared to $2.8bn a year ago.

Activity in the non-US sector of the market has been even more buoyant if stock issued in the private placement market, under Rule 144a of securities law – which makes it easier for foreign companies to sell their stock to US investors – is considered. According to Securities Data, $3bn was raised by foreign companies on the 144a market in the first half of this year, up sharply from the $970m raised in the first six months of 1993.

With foreign IPOs, secondary offerings and 144a issues, "this is a more non-US issuance oriented market than it ever has been before," says Mr Bob Nau, head of equity capital markets and syndication at Salomon Brothers.

A lot of the credit for restricting the decline in equity issues this year should go to foreign companies

The strength of foreign stock offerings has been driven by a variety of factors, including the growing willingness of US investors to diversify into non-US assets, the rush to privatise nationalised industries in Latin America and the former Soviet bloc countries, and a trend toward more private companies from overseas going public.

In addition, US investors are becoming increasingly eager to buy stock issued by foreign companies because they believe that the potential for achieving solid returns on their equity holdings is greater overseas than at home. "There is a perception that you have stronger fundamental growth rates in certain overseas markets," says Mr Nau.

Although some observers say that the heavy volume of non-US equity issues is all the more remarkable because of the weakness of the dollar, the currency's travails did not really have that great an impact upon foreign issuers' plans. This is primarily because the dollar has fallen sharply this year against the Japanese yen and German mark, but held up well against most other currencies. Foreign companies selling their shares in the US have not emanated from Japan or Germany, but principally from Latin America, where local currencies are tied closely to the dollar.

While the non-US sector of the equity market has thrived, domestic issuance has clearly taken a knock from rising interest rates and poorly performing share prices. Yet the fact that the past few years have seen such a big rush of companies to the equity market means that some sort of slowdown was inevitable. As one investment banker puts it: "A lot of companies needing equity got their plates filled in 1992 and 1993."

Investors have also become more choosy. Until this year, the big cash-rich institutions such as mutual and pension funds were snapping up anything that came their way. Now the the climate is less benign, investors are looking for quality. Asked which deals are the easiest to sell today, Mr Nau responds: "Stocks with a clear cyclical participation, *ie* where investors can point to factors that indicate they are going to be direct participants in the economic recovery. Also, telecommunications and information company stocks, and, now that the bond market seems to have stabilised, stocks with high yields, such as real estate stocks."

This flight to quality is likely to be a feature of the new issues market for the rest of the year, but Wall Street is cautiously optimistic that activity will pick up steadily in the months to come. One possible source of new business could be the booming mergers and acquisitions market: "For those companies using cash to make acquisitions, there will be companion but lagging equity deals," says Mr Nau.

Above all, the recent rebound in share prices should instil confidence in those companies considering issuing new equity, and especially those which postponed offerings earlier this year because of unfavourable market conditions. The market's rally has also attracted new money into mutual funds, which will have to invest it somewhere.

With the Federal Reserve looking as if it will now put monetary policy on hold and bond prices stabilising, stocks recovering and mutual fund coffers filling, the outlook is brightening almost daily. And if foreign companies continue to raise equity financing the way they have done recently, 1994 could turn out to be a surprisingly good year for the US capital markets.

Joel Kibazo says UK rights issues are unlikely to match the 1993 total

Not a year for breaking records

A new wave of rights issues seems likely if the UK equity market regains its strength this autumn.

Institutions and dealers were kept busy in the first half of this year as the market digested substantial cash calls from companies such as industrial conglomerate Williams Holdings; Lasmo, the oil exploration and production company which later fought off a bid by Enterprise Oil; GKN, the engineering and industrial services group which won control of Westland in a takeover that was partly funded by a rights issue; and Eurotunnel. The total for the first six months was just over £5bn.

However, as was the case with a number of new issues, plans for several rights issues are believed to have been aborted as the London stock market slipped back.

Despite some signs of subsequent market recovery, analysts say that total funds raised through rights issues this year are unlikely to match last year's record total of £11.5bn. Expectations for the end of this year hover around £9bn.

Among the reasons given for the decline, the main one is the improved health of many companies as the UK economic recovery has started to take hold. In addition, better cash flow in the past two years has reduced pressure on companies to seek funds from investors to help "straighten" the balance sheet.

Mr Trevor Laugharne, UK strategist at Kleinwort Benson, says: "The 10 to 20 per cent improvement in cash flows we have seen in recent months, especially in the smaller and medium companies, has certainly been a factor in reducing the need for a rights issue."

This has left the way clear for issues made to fund an acquisition. But even here, analysts say companies have been slower than usual in taking this path to expansion because many have instead chosen to reduce high debt levels incurred during the recession before considering future expansion plans.

Another reason for the possible reduction of the flow of issues is "indigestion" resulting from a glut which has used up the markets' capacity to underwrite further issues.

There are fears in some quarters that with major flotations, such as the third and final payment for the sale of BT shares in the next month, companies that wish to make rights issues may meet a less than enthusiastic response. New issues that were pulled at the height of the downturn could also add to the costs for institutions.

Mr Laugharne also highlights other demands on institutions which may prevent them from taking on rights issues from UK companies. These include the favourable yields now on offer from bonds and UK gilts returns that can outweigh those that would be received from equities.

He also believes institutions continue to want to spread their risks by investing in other markets. Thus, "emerging markets will also be a draw on investors' funds".

Other strategists point out that the queue of big privatisations in the pipeline in other markets such as that of Lufthansa in Germany or Renault and AGF in France may provide stiff competition for investors' funds.

But Mr Philip Wolstencroft, UK strategist at Smith New Court, remains confident about the UK market. "I think finance directors will take advantage of a strong market with a lot of value to urge their companies to go to the market for funds. But I don't think that of itself would put pressure on the equity market."

Another strategist simply explains: "Those rights issues that could have been questionable anyway have already been done. The plain fact is that, if it is priced right, then the market will take it."


Five years ago: police turn away late applicants in a London privatisation queue for water shares Alan Harper

Researchers at Smith New Court point out that companies emerging from a recession may see another advantage in calling on the market for cash. Mr Wolstencroft says: "Companies are still more likely to go for a rights issue because corporations do not want to be exposed to short-term debt. For many it is a sentimental thing after the interest rate rises of the late 1980s."

Liquidity in the market remains the key issue, says Mr Wolstencroft. "Overseas funds were largely absent from the UK in the first half of this year thus and could not help in providing liquidity. Things should change as they return."

According to one analyst, who declined to be named: "Those with a good reason for a rights issue should have no problem over the next month, but many will await the market's reaction to the next budget before assessing if there is an opportunity for a rights issue."

Emiko Terazono looks at problems in Japan

Overseas investors wooed

As Japan's large institutional investors show increasing reluctance to take on new equity, the country's leading companies have started to look to overseas investors for funding. Hence, it was no surprise when Japan Telecom, which was listed earlier this month along with an offering of 34,000 shares, or 10 per cent in the company, wooed international investors by offering 5,000 shares for the international market.

The issue was the first initial public offering ever to involve a separate international tranche. Japan Telecom officials say they want more acknowledgement among international investors to make future fundraising on global financial markets easier.

But some analysts fear that the decline in Telecom's share price since its listing, leaving investors sitting on losses, may hurt such prospects. Foreign investors have become increasingly wary of buying new Japanese equity.

Some analysts say Japan Telecom's listing has highlighted problems in Japan's pricing system for public offerings. Established after the Recruit stocks-for-favours scandal in the late 1980s, the current system attempts to prevent corruption by determining the offering price through an auction.

The difference between the Japanese system and the book-building process used in most international equity issues is that the price is set near the start of the offering period rather than towards the end. The wider the gap between pricing and trading, the more the share price is vulnerable to wider market movements.

The issue needs to be resolved soon, especially since foreign investors have become more important to Japanese companies than ever before. According to the Ministry of Finance, net purchases of Japanese stocks by overseas investors totalled a record $46.7bn during the year ended March, an eight-fold rise over the previous year.

An increasingly number of Japanese companies have already taken advantage of demand among international investors. In June, Amway Japan, the Japanese arm of the US home care products group, offered its shares through the first global offering in two years. Other companies have set up internal investor relations groups in order to enhance their images as investor-friendly organisations.

Large companies have started to list on overseas markets to raise their profiles

Meanwhile, large companies have started to list on overseas markets so as to raise their profiles in the international financial community. Although such moves were common during the late 1980s when the Japanese stock market showed few signs of rising, since the stock market plunge in 1990, listings on overseas markets have been restrained because of the fall in profits among Japanese companies and the negative image of falling stock prices.

Nippon Telegraph and Telephone, the leading telecommunications operator, announced in July that it would list on the London and New York stock exchanges to raise its profile among the global financial community. "By listing in the US, where disclosure rules are stricter than in Japan, we hope to win trust from investors," say company officials.

Smaller Japanese companies are also trying to increase their appeal to international investors. Small ventures in Japan have had a hard time raising funds through the domestic equity market due to stringent listing requirements. The Ministry of International Trade and Industry, which overlooks start-up companies, is now encouraging companies to look overseas to diversify their funding options.

For instance, Biomaterial, a bio-technology company based in western Japan, recently announced plans to apply for the US Nasdaq exchange. If it lists on the exchange in 1996 as planned, it will be the first Japanese company to bypass the domestic stock markets for a listing on an overseas stock exchange.

To list on the Japanese over-the-counter exchange, a company is required to post Y10 or more in earnings per share and to have net assets of Y200m or more. It is a chicken-and-egg situation for many start-up companies since without strong earnings they cannot apply for a listing, but without a listing they cannot raise funds to expand their operations.

The prospect of the equity offerings business in Japanese companies increasingly flowing outside the country is causing anxiety among Japanese brokers, who fear they may lose business to foreign investment houses which have stronger ties with overseas investors.

In Japan, the media have dubbed the phenomenon "part of the financial hollowing out process", whereby fundraising and secondary trading in the Japanese financial markets flow out to overseas markets due to Tokyo's numerous regulations, high costs and business practices which are not in line with international standards.

The sentiment that the Tokyo stock market is not the place to be is shared by many foreign companies, which have withdrawn their listings from the Tokyo stock exchange's foreign division. This year, 13 foreign companies, including Eastman Kodak, the US photo film maker, have delisted from the TSE, reducing the number of companies listed on the foreign section to 96 companies, sharply lower than the 127 at the peak in 1991.

The high costs of maintaining a listing and the lack of trading volume in the secondary market have been cited by companies which have moved out. Officials at foreign companies claim the promotional value as well as fund procurement benefits of the exchange's foreign section are virtually non-existent.

In spite of worries over "hollowing out" aired by the local financial community, including domestic brokers, the country's finance ministry officials remain complacent over the threat that the Japanese financial markets might decline into oblivion. They maintain that backed by Japan's high savings ratio and large current account surplus, the country's institutional investors retain as much financial power as ever.

The reality is, however, that domestic institutional investors have not recovered from the shock of the stock market plunge in the early 1990s and remain cautious about equity investments. Unless they overcome fears of taking risks, Japanese companies will continue to turn to overseas markets and investors for funds.

Antonia Sharpe on the world's emerging markets

The price has to be right

The doomed $1bn offering last May by Videsh Sanchar Nigam, India's international telecommunications carrier, marked a turning point in relations between international investors and companies in the emerging markets of Latin America and south-east Asia.

During 1993 and the start of 1994, international investors were willing to pay demanding prices in order to get exposure to emerging markets, India in particular. But they drew the line at VSNL's offering because in their view the pricing was excessively high.

The backdrop to the event was also inauspicious. Uncertainty over the direction of interest rates in the US and other leading industrialised nations caused profound volatility in financial markets and discouraged investors from making fresh investments.

The buyers' strike inevitably led to an oversupply of equity issuance from emerging markets which has taken several months to clear. Mr Harry Hampson, head of the equity syndicate at J.P. Morgan in London, says sentiment has been much improved now that the market has digested the backlog of issues.

"People have come back to their desks after the summer holiday with a more positive outlook," he says, noting that stock markets in south-east Asia had also strengthened over the summer.

Some fairly large deals are expected from the region in the autumn, such as offerings from telecommunications companies in Malaysia and Indonesia, he adds.

Nevertheless, investors are expected to be far more selective about offerings than in the past. "I will be looking at each issue individually," says Mr John Legat, senior emerging markets portfolio manager at GT Management. He is more optimistic about prospects for Latin America, especially Brazil. However, he is cautious about Asia, which in his view offers less value. "Malaysia is looking expensive, it's at the end of its interest rate cycle and the next move is up," he argues.

Companies from the more-established emerging markets

Continued on next page

Richard Lapper looks at the growing international interest in Latin America

The grey suits you see in every capital

Latin American companies are continuing to raise large amounts of capital on international equity markets – despite turbulence in world markets and big blips in investor confidence earlier this year.

Over the last few weeks, greater stability in the US financial markets and positive political developments in Latin America – in particular in both Mexico and Brazil – have boosted confidence. There are hopes in some quarters that the total volume of new issues could come near to last year's record $6bn and certainly match the $4.6bn raised in 1992.

In addition, there are some signs that international interest in Latin American companies is widening – with sectors such as retailing and electricity distribution attracting attention. *Investors are also prepared to consider* deals in countries such as Peru that would have been considered marginal until very recently.

"There is just unbelievable *competition," says one US banker.* "There are 200 investment bankers in Mexico City today but you will see grey suits and blue suits in every Latin American capital."

Even so, bankers acknowledge that the pace of new issuance has slowed significantly earlier this year, following successive increases in short-term interest rates.

Investors were also troubled by signs of political instability, especially in Mexico, where a presidential candidate for the governing Institutional Revolutionary Party was assassinated in March.

Indeed, during the second quarter, a number of deals were withdrawn because of a lack of investor interest.

For example in June, the Argentine government had to drop a planned $150m IPO of its remaining 25 per cent stake in TGN, a privatised gas pipeline company, because of insufficient demand.

Even so, interest picked up during July and by the beginning of August, Latin American companies had raised a total of $3.27bn in 47 separate issues, only five less than for the whole of last year, according to figures collated by International Financing Review.

And last year, the total figure was boosted by the launch of a very large *share offering from YPF, the Argentine* oil and gas company. The Argentine government sold a 45 per cent stake in YPF in June 1993, raising a total of $3bn which included an international tranche of some $2.3bn.

Sentiment has been buoyed by signs of stability in the US bond market but also by developments on the political front. In Mexico – which saw some of the greatest activity last year with 26 new issues raising a total of $2.71bn – the apparently clean victory of Mr Ernesto Zedillo, the presidential candidate of the governing PRI, has revived confidence.

Fees are under pressure, especially in deals involving *privatisation in the bigger economies*

Even though the local markets had discounted a PRI victory, stock prices have risen, and a number of new issues – including the sale of the government's remaining stakes in two of the country's *largest banks, Bancomer and Banamex* – are again on the agenda. Grupo Elektra, a retailing group which pulled an international offering earlier this year, is also said to be looking at the international markets.

In Brazil, the continent's largest economy, markets have been encouraged by the success to date of the Real plan, an economic stabilisation package introduced in July, and the lead in the opinion polls built up by Mr Fernando Henrique Cardoso, the plan's architect and former finance minister, ahead of presidential elections next month.

Among Brazilian issues expected – ahead of October's elections – is Usiminas, the steel company, which is said to be seeking some $500m.

Elsewhere, investors are increasingly *positive about economic prospects* in Peru. Several new Peruvian issues – including an issue for some $45m to $50m for Banco Wiese, the country's second largest bank, are expected in the autumn.

There is also optimism about the prospects for some smaller economies. Fieldstone Private Capital Group, for example, a merchant bank which specialises in energy-related business, is seeking to raise some $32m to $33m for a Bolivian electricity distribution company, the Cochabamba Light and Power Company (ELFEC), by selling a 70 per cent government shareholding to private investors in November.

Some of the money will be raised locally – incidentally creating one of the La Paz stock exchange's first equity issues – but Fieldstone is also applying to have the stock listed in London, and aims to raise money from both retail and institutional investors through an offer for sale.

"Until now, there has been no possibility of buying Bolivian stocks so there is considerable pent-up demand with large *sums already deposited for this purpose* in New York and London," explains Mr Peter Earl, a consultant with Fieldstone in London.

The interest is leading to increasing competition for Latin American mandates, say bankers. "The markets are still growing. The hard part is winning the mandates, not getting the deal done," suggests one New York-based Latin American financier.

Mr Francis Coles, head of Latin American corporate finance at Baring Brothers in New York, says 1994 has been much tougher than 1993 but concedes that more recently "political *factors have had* a positive influence. There are quite good conditions for getting deals done. There is a lot of potential supply. I think there are some quite good companies out there," he adds.

Referring in two successful recent deals, Mr Coles says: "The pricing wasn't over-aggressive. It is a clear demonstration in us that it is possible to do deals successfully if they are in a sector where the investor wants to be."

Certainly, the interest is leading to greater competition among investment and merchant bankers involved in the deals, with fees under pressure, especially in deals involving privatisation in the bigger economies. "At the end of 1992 lead underwriters were generally collecting a commission fee of between 3.75 and 5.25 per cent," points out one New York banker. "But in several deals this year the commission has fallen below 3 per cent of the amount raised," he adds.

Chinese shares in Hong Kong

The multiples take a tumble

When Qingling Motors, a light duty truck maker, was listed on the Hong Kong stock exchange *last* month, *it* set a new pricing low for H shares, the China enterprises listed in the colony.

The HK$2.07 price tag put the shares on a price-earnings ratio of nine times 1994 earnings – a far cry from the 17.89 multiple commanded by Tsingtao Brewery, the pioneering H share which came to market a year and a month before Qingling.

Slashed p/e multiples are a function of three broad changes to and in the embryonic market: a downturn in general market conditions across the globe; growing choice in the H share market; and *enhanced sophistication* among the former state owned enterprises themselves, which has led to what bankers dub "more realistic" pricing.

While the move towards more aggressive pricing has prevented a mass shelving of listings during the lull in market sentiment that has marked trading activity since the beginning of the year, it has not been without its casualties.

The listing of putative H share Shanghai Haixing Shipping Company has been put on the back burner after directors and sponsors fell out over pricing: it is understood the company, whose listing was to have pre-empted that of Qingling, could not bring itself to accept a single-digit p/e.

Peregrine Capital, the Hong Kong merchant bank which played a leading role in 15 fund-raising transactions in Hong Kong and three in China in the first half of the year, involving total funds of HK$8.9bn, admitted at the time of its interim results earlier this month that a number of big mandates had been shelved "until market conditions improve".

However, Mr Alex Ko, a director of the company, believes interest in China companies has persisted during the downturn even though the responses in listings have not been as consistently overwhelming as last year. He attributes this to more selective investors who are looking more closely at the structure of the company on offer and the merits yielded by it and the industry sector in which it operates.

All the shares were fully subscribed – if only by a whisper – but some this year have performed poorly on their debut

"Pricing is subject to market conditions. With a good market and good company you can get a high price. But if the market *is* down and *selling* on a *p/e* of 10 times and you are raising capital at 12 or 15 times, of course the market will have less interest in the company.

"Proper pricing of initial public offerings depends very much on several factors: prospects of the company, management, industry sector, general market conditions and sentiment and even political stability," he says.

All H shares to date have been fully subscribed – if only *by a whisper, as in the case of* Tianjin Bohai Chemical – but some of this year's offerings have performed poorly on their debut. Luoyang Float Glass, which kicked off the 1994 batch of H shares on July 8, saw its share price slide 20 per cent to HK$3.65 on the first day of trading.

For the companies which went to New York – of which Shandong Huaneng Power Company is the pioneering *example of a Chinese company* selected by the mainland authorities to opt for a single listing (as opposed to a dual or secondary listing) – performances have been even worse. Trading volumes are very thin – Shanghai Petrochemical, which is traded in both New York and Hong Kong, sees the bulk of activity in the colony.

The trading floor of the Hong Kong stock exchange Ashley Ashwood

Mr Andrew Liu, managing director at Morgan Stanley Asia – sponsor of the impending China Eastern Airlines issue on Wall Street – says that while shares have been placed on a global basis for a number of issues, the trading *patterns invariably show that* the dominant activity takes place in Hong Kong.

"I think that is probably the most significant point we have observed in the past year: the natural trading market for all these China companies is going to be *Hong Kong or China,"* he says.

This pattern has prompted the Chinese government to push for dual listings to twin New York with active "home" markets, where interest, news and analyst research helps galvanise trading momentum.

Certain mechanical problems – not least the disparity between *listing requirements* and procedures on the two exchanges – mean that dual listings are unlikely to be offered to all the remaining New York-bound China companies, although Morgan Stanley reckons those that are tided over until next year will have a stronger chance in benefit.

The Chinese government has been playing a pro-active role in the securities markets all round. In recent months the *focus has been on the domestic* markets, which have since provided a total turnabout in fortunes for investors who were previously faced with falling prices, tight liquidity and poor sentiment.

The government announced plans to list US$1bn worth of B shares – stock designated for foreigners, but which will now *be available to mainlanders too* – this year, in effect trebling the size of the market.

Louise Lucas

Indian equities have hit all-time highs, writes **Stefan Wagstyl**

Bombay shrugs off VSNL fiasco

The postponement of a planned US$1bn issue by Videsh Sanchar Nigam (VSNL), the Indian *state*-controlled *international* telecommunications carrier, earlier this year cast a cloud over the country's overseas equity offerings.

But business has recovered markedly *since the issue was taken off the market* in April when fund managers baulked at the pricing of the deal, the largest offering ever made by an Indian company.

Today, Indian groups are queueing to tap the market. Buyers are more careful about pricing than they were before the VSNL debacle but still have a strong appetite for Indian equities, which have recently hit new all-time highs.

The Bombay Stock Exchange's index of leading shares has risen by about 35 per cent since early May to reach a new all-time peak last week of 4628.

That compares with a record high of 4546 set in April 1992, during a rally which collapsed when it emerged that the market was being fuelled by suspected illegal share-financing operations organised by Mr Harshad Mehta, a stockbroker.

The market is now being driven up by hopes of good prospects for the Indian economy, which is emerging from three years of reform and restructuring. The *most bullish stockbrokers believe the* index is now in sight of 5000. The more cautious point out that the market has already risen 80 per cent since its low of 2633 in the middle of last year and is *riding for a fall,* with too *many* investors chasing too few stocks in unsustainably high levels.

According to the bulls, increases in corporate profits, which rose 75 per cent at *the net level in 1993-94 and are forecast* by stockbrokers to rise a further 40-50 per cent in this year, justify current price/earnings multiples for leading shares which trade at about 53 times their net *earnings* for 1993-94 and 35 *times* likely earnings for 1994-95.

The bears concede the economic outlook is better than at any time in the past three years. But they believe that in their *rush to buy, investors have pushed share* prices far beyond levels justified by economic logic. They suggest that prices are being pushed to unsustainable levels by the availability of low cost funds, including money raised from equity and bond issues which is being recycled into the stock market.

The new issue flow in the domestic market has been slower than in the 1993-94 financial year

The flow of new issues in the domestic market has been somewhat slower than in the 1993-94 financial year, which ended in April, when Rs322bn was raised. In the first *four* months of 1994-95, companies raised Rs62bn in domestic issues. However, on the international markets, companies are raising more than ever before, despite the VSNL fiasco. Since April, they *have raised about $1.5bn to equities and* bonds, compared with $2.5bn in 1993-94.

The finance *ministry* introduced controls on international issues in *May* to try to prevent companies raising money for *what it regards as unimportant purposes.* Issuers *must* seek *prior* approval from the ministry, which attempts in ensure funds raised are to be applied to economically-productive investments and not, for example, *for injecting into the stock market.* Officials operate an informal queue and give priority in favoured industries, such as power and transport.

Even though the total market capitalisation *of the Bombay market is now nearly* $150bn, daily turnover is quite low at below $100m because so little stock is freely traded. The families which control most listed companies typically hold 25 *per cent to 75 per cent of the issued* capital. Other long-term holders such as development banks are also infrequent sellers. Very little is left for foreign fund managers and other new investors to buy.

The difficulties in acquiring shares are accentuated by the cumbersome trading, settlement and transfer procedures, which mean it can take six weeks for sellers in receive payment and three months for buyers in secure full ownership of their stock.

Although stockbrokers and bankers are trying in improve the process, they expect dramatic changes only after Bombay Stock Exchange and the newly-formed National Stock Exchange launch computerised on-screen trading and a computerised share depositary is established to *handle share transfers smoothly.* On-screen trading on the NSE could start this year for top stocks and on the Bombay exchange next summer, but a fully-fledged depositary is two or three years away.

These difficulties have already persuaded some foreign fund managers to slow their purchases of Indian stock or to switch to the Euroequity issues of Indian companies. After averaging $251m a month in the first half of 1994, net foreign buying of Indian equity fell to $89m in July and $80m in August. Given that many investment funds dedicated in India have yet to invest, this slowdown is likely in be temporary, but it shows fund managers are paying heed in price levels.

The price has to be right

Continued from previous page

will also have to be more realistic about pricing because of the increased competition for funds. Political events in the *Middle East* and *South* Africa have turned the attention of international investors to markets in those regions.

Mr Hampson says there is a growing interest in what he describes as "near-emerging markets", such as Israel and South Africa, where investors have very low portfolio weightings in relation in the developed nature of their economies.

After years of obscurity, *Israel is emerging as a serious* candidate for international investment now that the Arab boycott has been lifted. Mr Ron Lubasch, the head of Lehman Brothers' recently-opened Tel Aviv office, says investors are attracted by Israel's highly-developed infrastructure and fast-growing economy. It is *possible that Israel's credit rating* will be upgraded to A minus from triple-B plus in the near future, he suggests.

Bankers expect a series of *international* equity offerings from Israel over the next year as the government seeks greater foreign participation to the sale of its stakes in the country's leading companies. At present, only 2 per cent of the Israeli stock market is estimated to be owned by foreigners, a significant proportion of which is *made up of BZW Investment* Management's Israel Fund.

Israel is emerging as a serious candidate for international investment

The Israeli government has appointed Wertheim Schroder, part of the UK merchant bank and fund management group Schroders, to advise it on the sale of shares in Israel Chemicals (ICL). The government plans to sell 32 per cent of ICL, currently valued at around $850m, through an international public offering and 15 per cent to a single investor or group of private investors.

Morgan Stanley has been selected to advise on the international offering of shares in Bezek, the telecommunications company. The government hopes to sell 25 per cent of Bezek, which would lower its stake to 51 per cent. The sale, which is likely to go ahead by May next year, could raise between $600m and $700m.

Another candidate for privatisation is El Al, the state-owned airline. The government, which intends to sell 51 per cent of the company through the Tel Aviv stock exchange and through an international offering, has appointed BZW to conduct a valuation of the airline.

El Al's privatisation is being held up by three problems: namely, the government's desire to keep a golden stake to protect state interests; the issue of the airline's $55m annual security costs, 80 per cent of which are currently met by *the government;* and the fact that El Al is not allowed to fly its aeroplanes on the Jewish Sabbath. Nevertheless, officials say these issues should be resolved in time *for* El Al in be floated by mid-1995.

In the meantime, bankers involved in these offerings are busy hiring staff to provide much-needed research on Israeli equities. Although Israel has a sophisticated broking community, the majority of the research is in Hebrew and the stock market is still perceived to be driven by sentiment rather than by fundamentals.

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A focused approach to international equities.

JAPAN TELECOM
34,000 shares
to raise ¥172,341 million
Initial Public Offer
Joint Lead Manager
of
International Offer
Kleinwort Benson Securities
September 1994

AMS
650,000 shares
to raise AS 395 million
International Offer
Lead Manager
Kleinwort Benson Securities
July 1994

Land & General Berhad
4.50 per cent. Convertible Bonds due 2004
to raise U.S. $100 million
International Offer
Joint Lead Manager
Kleinwort Benson Securities
July 1994

outokumpu
20,000,000 units
to raise FIM 1,650 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
July 1994

PILLAR
60,000,000 shares
to raise £90 million
Placing and Public Offer
Broker to Pillar
Kleinwort Benson Securities
July 1994

THE TATA ENGINEERING AND LOCOMOTIVE COMPANY, LIMITED
8,214,288 Global Depositary Shares
to raise U.S. $115 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
July 1994

Capex S.A.
16,363,636 shares
to raise U.S. $163.6 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
June 1994

Chilquinta S.A.
1,759,465 shares
to raise U.S. $26.4 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
June 1994

EXCO
53,117,726 shares
to raise £93 million
Placing and Public Offer
Broker to Exco
Kleinwort Benson Securities
June 1994

Kalmar
11,126,000 shares
to raise SEK 845.6 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
June 1994

Ballast Nedam
4,150,000 Exchangeable Depositary
Receipts to raise NLG 311.3 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
May 1994

TELE DANMARK
63,229,770 shares
to raise DKK 19.6 billion
International Offer
Co-Lead Manager
Kleinwort Benson Securities
May 1994

BRITISH BIOTECH
3,024,354 units
to raise £46 million
Rights Issue
Broker to British Biotech
Kleinwort Benson Securities
April 1994

MM KARTON
4,820,000 shares
to raise AS 3,470 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
April 1994

METRA
7.8 per cent. Convertible Subordinated
Bonds to raise FIM 700 million
International Lead Manager
Kleinwort Benson Securities
March 1994

FINNAIR
7.0 per cent. Convertible Subordinated
Bonds to raise FIM 230 million
International Lead Manager
Kleinwort Benson Securities
February 1994

IMI BANK
200,000,000 shares
to raise ITL 2,180 billion
International Offer
Co-Lead Manager
Kleinwort Benson Securities
February 1994

Martin Marietta Materials
8,797,500 shares
to raise U.S. $202.3 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
February 1994

Reliance Industries Limited
12,766,000 Global Depositary Shares
to raise U.S. $300 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
February 1994

SAINT-GOBAIN
6,598,887 shares
to raise FF 3.6 billion
Rights Issue
Co-Lead Manager
Kleinwort Benson Securities
February 1994

THE TATA IRON AND STEEL COMPANY, LIMITED
2.25 per cent. Convertible Bonds due 1999
to raise U.S. $100 million
International Offer
Co-Lead Manager
Kleinwort Benson Securities
February 1994

BWT
150,000 shares
to raise AS 246 million
International Offer
Lead Manager
Kleinwort Benson Securities
January 1994

THE GLOBAL
PRIVATIZATION FUND
75,200,000 shares
to raise U.S. $1,128 million
International Offer
Lead Manager
Kleinwort Benson Securities
January 1994

Indian Rayon
5,553,087 Global Depositary Receipts
to raise U.S. $125 million
International Offer
Lead Manager
Kleinwort Benson Securities
January 1994

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Chrystia Freeland and **Nicholas Denton** report on eastern Europe's stock markets

From paper casinos to reliable yardsticks

The most remarkable thing about eastern Europe's stock markets is that they exist at all. What generations of bankers and traders slowly and sometimes haphazardly constructed in the City of London and on Wall Street, eastern Europeans began building from scratch in 1990. But, by 1993, the volume of trading, though not the value, on the Warsaw bourse was almost equal to that of London, and the exchanges of Warsaw, Prague and Budapest are now well on their way to becoming a standard, if modest, shopping stop for European investment portfolios.

The switch from five-year plans to five-year government bonds has not always been either smooth or seemly. "This is like Wall Street in the 1870s," says Mr Andrew Reicher, head of investment for CS First Boston in Prague. "I haven't a clue and neither has anyone else. They've only ever read about markets in books."

Of the three exchanges, the Prague bourse is most closely linked to the broader economic reforms in the country. After their nation's "velvet revolution", Czech leaders decided that the only answer to their country's unfortunate inheritance of one of the most centrally planned economies in eastern Europe was a fast-paced, mass privatisation programme. The "velvet divorce", which liberated the Czech republic from the loss-making heavy industry and defence factories in Slovakia, made this process easier.

As Mr Richard Wood, founder of Wood and Co Securities, one of the biggest investors in the Prague bourse, puts it: "When it comes to privatisation and capital markets, the Poles behave like Czechs and the Czechs behave like Poles."

The Czech policy of mass privatisation, which transferred 943 companies to its citizens for negligible fees in the first wave of privatisation and will transfer 861 more in a second wave that is already under way, has made the Prague exchange the broadest in eastern Europe with over 900 shares publicly traded.

But western investors warn that the Czech republic's international image as eastern Europe's free market zealot obscures a club world still run by the old elites. Western observers complain that insider trading, abetted by the loosest regulatory environment in eastern Europe and the multitude of channels outside the stock exchange through which shares can be bought and sold, is rampant.

"Often we have no idea that large blocks of shares have been traded for months afterwards," complains one western banker based in Prague. "There is a tremendous cynicism about the rule of law. The factory directors think they are very smart, but often they wind up screwing the shareholders."

The Budapest bourse is at the other end of the spectrum, although it is by no means free of insider trading. It is smaller, better regulated and often peripheral to the economic transformation in the country. Saddled with a gross foreign debt of $2,500 per head, which, unlike their Polish counterparts, the Hungarians chose not to negotiate away, Budapest has been reluctant to give its state enterprises to its citizens for free. The Hungarian government has preferred to sell its patrimony to strategic foreign investors for real money and in the rare cases when state companies have been floated on the exchange has broken the east European pattern and over-valued rather than undervalued share prices.

In Hungary and Poland, enthusiasm for the stock market has been conditioned by its infancy, which was traumatic for investors in Hungary but wildly lucrative in Poland. "In Warsaw it had a snowball effect," says Mr Andras Simor, managing director of Creditanstalt Securities in Budapest. "But here people got the impression that the stock exchange is not where you make money."

The Polish entrepreneurial instinct has been sorely tested, with the Warsaw bourse dropping more than 50 per cent

As a result, only 29 shares are traded on the Budapest exchange, with half a dozen more expected to be floated over the next few months, and average daily turnover, in the first four months of this year, was $11.9m. Uniquely, the Hungarian bourse is dominated by companies which were private from the start and, from the outset, its main role has been to raise capital rather than to serve as an outlet for speculative instincts repressed by four decades of communism.

The Warsaw exchange, with only 24 shares listed and a dozen more expected in the next few months, is structurally similar to its puny Hungarian cousin rather than its swollen Czech neighbour.

However, propelled by the national speculative frenzy of 400,000 registered domestic investors and a lack of other outlets for domestic capital, last year the Warsaw bourse experienced a 820 per cent rise in real terms with the average prices-to-earnings ratio hitting the dizzy level of 40. Poland's strong economic growth last year at 4 per cent was the second highest in Europe, but the speculative fever soon outstripped real economic gains.

"Poles are the Chinese of Eastern Europe, we are traders in our souls," Mr Krzysztof Stupnicki, chief representative of CS First Boston in Warsaw, offers as an explanation for his compatriots' stock market fever.

The Polish entrepreneurial instinct has been sorely tested over the past few months, as the Warsaw bourse has dropped more than 50 per cent. But western institutional investors – who got out in time, creating an ironic situation in which bankers estimate that between $50m and $150m of Polish domestic capital has flown into the coffers of western merchant banks – describe the fall as a "correction" rather than a collapse.

Indeed, despite their recent declines, no one seriously doubts the staying power of any of the three main eastern European bourses. The bigger question is what real role the stock markets are playing in the radical economic transformations under way in the former Warsaw pact states.

As an engine for economic transformation, the exchanges have played a modest role. The central challenge that post-communist economies face is opening the economy to the entry of new, private businesses and transferring state enterprises into private hands.

Insiders suggest that, even in the Czech republic, where the stock market has played the most central role in privatisation, it is a facade behind which the old elites are manipulating the economy much as before.

By contrast, Hungary, which has favoured direct foreign investment over public flotations, has been at least as successful as its eastern European neighbours. Many Hungarians argue that a takeover by a strategic foreign investor, such as General Electric, which, after a shaky start is successfully transforming Hungary's Tungsram factory, is the most effective way to push an enterprise into the market economy.

Furthermore, the bourses have also been slow to take on one of their central functions in established market economies: offering companies a venue for raising capital. Investors in all three capitals complain of the "irrationality" of domestic players and describe their countries' stock markets as "paper casinos." As the bourses mature, that is beginning to change, but only gradually.

Finally, as investment vehicles for domestic savers, the eastern European stock markets have been indifferent performers. Their volatility has made them immensely profitable for some western investors and a few sophisticated locals. But, as the Warsaw bourse demonstrated earlier this year, the gains of a few smart speculators, many of them outsiders, have been at the expense of naive, over-zealous domestic investors, who would have done better putting their money into reliable, high-yielding Treasury bills.

Yet, while stock markets have not served as a magic carpet which has swiftly and efficiently whisked eastern Europe into capitalism, using exchanges to transform communist economies has had two great virtues. First, it is fast. Hungarians can argue that strategic foreign investors produce more fundamental management changes, but it is only by trusting an unruly and often unfair stock market that the Czech republic has managed to jump from being one of the most state-controlled economies in eastern Europe to the leading market reformer.

Perhaps more importantly, stock markets can play a crucial political role. More than any nation in eastern Europe, the Czech republic has transformed itself from a country of comrades into a land of small shareholders. That could be the reason why, while the disgruntled Poles and Hungarians have turned to ex-communist leaders, the Czechs are still ruled by an aggressively right-wing government.

Moreover, as Poland, the Czech republic and Hungary move from economic transition to growth, all three countries' bourses are settling down as mature, relatively stable exchanges. Like their western counterparts, they are becoming reliable yardsticks of their nations' economic growth and a small, but standard, element in European investment portfolios.

Tougher listing restrictions in the Asia-Pacific region

Authorities look for quality

An increasingly restrictive mood has kept the cap on new issues in parts of the Asia-Pacific region, as stock exchange authorities have looked for quality, not quantity. However, business has been booming in Australia.

"In Malaysia, Thailand and Indonesia, the regulations governing new flotations have been tightened through tougher listing requirements," says Mr Michael Franklin at James Capel. "Typically, however, support for secondary issues has not generally been required, as new issue prices usually have been pitched below market levels so that a good market in the shares is established immediately."

Earlier this month in Seoul, an advisory group to the finance ministry urged wide-ranging financial reforms, paving the way for the country to modernise and internationalise its finance industry.

The recommendations included removal of the current 10 per cent ceiling on foreign shareholdings in 1996 or 1997 and called on the ministry to allow foreigners to list shares and to issue depository receipts from next year. The group added that it would be desirable to give domestic companies more freedom in raising overseas funds, so that these could be obtained more easily, and proposed that South Korean companies should be able to list stocks on overseas bourses from next year.

Malaysia has begun to reject listings in "wrong" industries

Kuala Lumpur saw some restraints on listing requirements introduced last year to inhibit back-door listing and reverse takeovers. More recently, the Malaysian securities and exchange commission has begun to reject applications for new listings if applicants are considered to be operating in the "wrong" industry. For example, while a technology company might obtain listing approval quickly, a textile company may have to wait.

The Bangkok authorities have also been making a concerted effort to raise the standard of companies listed on the exchange by taking a tougher attitude to screening new applicants for public offerings, particularly in the property sector where it used to be relatively easy for companies to be listed.

In July, the SEC announced new rules governing initial public offerings in an attempt to broaden share ownership and end corrupt deals involving underpriced shares in newly listed companies.

Major new equity issues have been mostly well-received and oversubscribed over the last year with Telecom Asia taking Bangkok to a high for the year when it made its debut last December, and the shares trading at Bt116 against an initial offer price of Bt55.

In Singapore, the last major issue, the partial privatisation of Singapore Telecom in October last year, received official encouragement when local investors were allowed to tap into their Central Provident Fund accounts to finance applications for the issue. However, the terms of the issue were not attractive enough to appeal to foreign investors who judged that the prospective price-earnings ration was too high. The flotation, which raised about S$4.4bn, saw 1.4m Singaporean investors acquiring shares, which more than tripled the number of shareholders in the country.

A more recent successful issue was that of Petron in Manila earlier this month.. The oil refiner surged 136 per cent above its offer price on the first day of trading, but the broad market fell as investors switched from other blue chips.

In Taipei, which has rigid listing requirements, the chairman of the SEC, Tai Lih-ning has stressed that any increase in the number of listed companies would be permitted only as a last resort to narrow the imbalance between supply and demand for shares.

However, Hung-Lung Yuan at Wardley James Capel in Taipei says that as a result of the rigid regulations, only 29 new listings were permitted during the whole of 1993 and another eight during the first seven months of this year, taking the total number of companies listed on the exchange to 293.

"Although the government is likely to push to expand market capitalisation through new listings and privatisation, it does act as a protector to the retail investor by scrutinising the companies which seek to float their shares on the market," he says.

Sydney, by contrast, has been enjoying a boom in new equity supply, as companies have taken advantage of rising markets to raise cash. Estimates from Macquarie Equities, the stockbroking division of Macquarie Bank, show that equity raisings by private enterprise and the federal and state governments were at an all-time high of A$23.3bn in the year to the end of June this year, almost double the total of the previous 12 months. Of the 1993-94 total, rights issues and placements, totalling A$8bn, and non-government floats at A$6.3bn, were the dominant source of equity raised.

In Sydney, companies have raised cash as the markets have risen

However, Macquarie forecasts a 25 per cent fall in total equity raisings in the 12 months to next June, with federal and state government issues increasing to 31 per cent of the total from 12 per cent in the previous period.

The broker adds that a sharp increase in the contribution from offshore funds marked a clear change of flows in 1993-94 with a stronger funds flow within Australia's wholesale investment institutions the other major contributor lifting demand for equities.

Direct household investment has also increased, spurred by the increased number of government privatisations, such as State Insurance Offices, Commonwealth Bank and Commonwealth Serum Laboratories.

Michael Morgan

FINANCIAL TIMES SURVEY

LOGISTICS

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Wednesday September 21 1994

Big retailers are increasingly contracting out their supply operations. But most manufacturers prefer to move their own goods, says **Charles Batchelor**

Relentless drive to reduce costs

Logistics is the currently fashionable term for an industry which started out as haulage and warehousing, moved on briefly to become "distribution", and then settled on a title borrowed from the field of military science.

In practice, logistics is a delivery truck calling every 15 to 20 minutes at Marks & Spencer's London Marble Arch store to top up the racks of clothing. It is a Leicester warehouse geared up to overnight delivery of Land-Rover spares and to a two-hour turnaround time for emergency orders for tractor parts for Massey Ferguson.

But this is only the most visible part of the logistics industry, the contracted-out part of the business when manufacturers hand over their delivery problems to an outside professional.

In-house logistics still dwarfs the contracted-out sector despite the move by a growing number of multinational companies to using outside suppliers. For many companies bringing in components and making deliveries to customers is still too crucial a part of their business to entrust to others.

The challenge to the logistics professionals is to persuade manufacturing industry that this is a business which it can, with profit, hand over to somebody else. Retailers and parts of the consumer sectors have already been convinced but broad swathes of industry still remain to be converted.

"The industrial market is growing but it is not as advanced as the retail sector," commented Mr Chris Masters, chief executive of Christian Salvesen, a UK logistics company and provider of distribution services for M&S.

The logistics sector also faces an enormous problem in bridging the gap between industry best practice and the average performer. Many companies are poor at measuring the efficiency of their internal logistics operations. Yet they are also frequently disappointed by their experience of contracting them out to a third party, a number of recent surveys have shown.

Less than half of large UK companies have a logistics strategy or know their logistics costs, according to a study carried out by Andersen Consulting and the Institute of Purchasing and Supply.

Forty per cent of UK companies which had contracted out their logistics were dissatisfied with the way their affairs were handled and felt there were insufficient controls, a survey by PE Consulting and the Institute of Logistics found.

"Companies do not do enough to analyse their logistics," said Mr David Ecklund, European commercial director of Caterpillar Logistics Services (CLS), an offshoot of the US manufacturer of earth-moving equipment and owner of the Leicester warehouse. "For something with so much importance for customer satisfaction that is worrying."

Why do so many companies which contract out their logistics feel dissatisfied? They often fail to appreciata that they must still work closely with their logistics supplier, sharing management information and even integrating staff, said Mr John Brinkhurst, CLS business development manager.

The scope of the contract and the services to be provided must be defined in detail and performance standards should be set, he warns.

Modern commercial logistics is a combination of three elements. Its traditional components are haulage and warehousing allied to a more recent arrival, information technology.

Computers allow a company to locate a product in its warehouse, to devise a delivery schedule which makes the most efficient use of its vehicle fleet, and to track a consignment on its way to its final destination. Managing the supply chain can lead to considerable reductions in the amounts of stock which have to be held.

"We have been recruiting large numbers of information systems people to develop bespoke systems for our clients," said Mr Martyn Pellew, marketing director for Exel Logistics, a UK-based company.

Logistics professionals believe that the commercial pressure of increasingly competitive international markets is working in their favour.

In Europe, the creation of the single European market is drawing in Japanese and US companies keen to exploit the reduction of trade barriers and forcing local companies to rethink their strategies. Globally, the shortening of product life-cycles and increasing consumer pressure for quality *and* low prices is forcing manufacturers and retailers to redouble their efforts to cut costs.

Companies are being forced to concentrate on what they do best and farm out the non-essentials to outside suppliers. Employing a third party logistics company removes the need to operate a vehicle fleet, to acquire and maintain warehouse space, and to manage the intricacies of world-wide distribution.

The sums which industry spends on logistics-ralated activities are staggering, though only a small percentage is currently handled by outside suppliers. A survey by the Cranfield Centre for Logistics and Transportation estimated the size of the UK market at just over £100bn, the European market at £570bn and the world market at £2,500bn.

It arrived at these figures by combining the present spend of businesses on warehousing, holding stock, transport, administration and packaging. Statistics on tha size of the market which might realistically be available to the logistics professionals are not readily available, however.

Ona of the main concerns facing European companies in particular is how to handle their distribution activities throughout the continent.

Companies are realising that they hold too much inventory at too many locations across Europe and are moving from, say, 15 distribution points to just four or five regional centres, according to Prof. James Cooper, director of the Cranfield logistics centre.

"Yet this transition is easier said than done. Sales and marketing managers may be uncomfortable with the prospect of sourcing products from different countries and having to make delivery arrangements with associates who speak another language."

Companies which overcome these hurdles are able to make significant savings. Nike, the US manufacturer of trainers and sportswear, is replacing more than 20 national and local warehouses with a new European distribution centre in Belgium following a similar move to centralise its US activities at a single "hub" in Memphis a few years ago.

Concentrating all of a company's delivery activities in one centre not only reduces tha levels of stock which have to be held. It means that a wider range of stock is available to customers and allows the distribution centre to add extra services.

Electronic products such as computers can be customised at the last moment depending on the national market for which they are destined or the demands of the individual customer. Exel says its book distribution arm selects and packs books for customers, sends out invoices and collects payments for publishers.

Suppliers to the automotive industry add value to the service they provide by collecting components from suppliers and delivering them on to the final assembly plant according to a schedule which meets the needs of the assembly line.

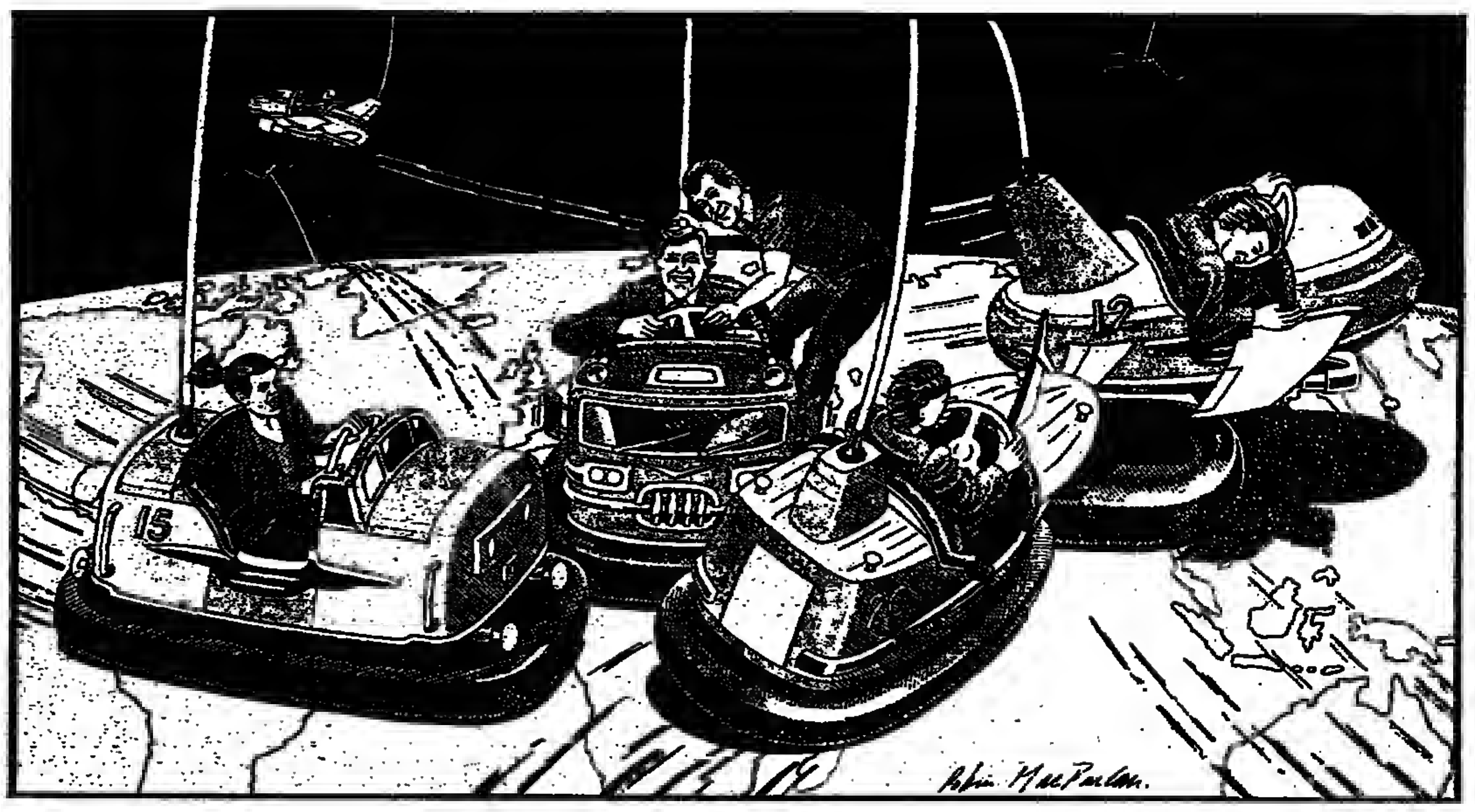
Not satisfied with the progress which has already been made to reduce stocks and squeeze waste out of the supply chain, tha logistics companies and their clients are seeking even further savings. The most ambitious attempts are by some Japanese automobile manufacturers to create an international stock-free delivery chain.

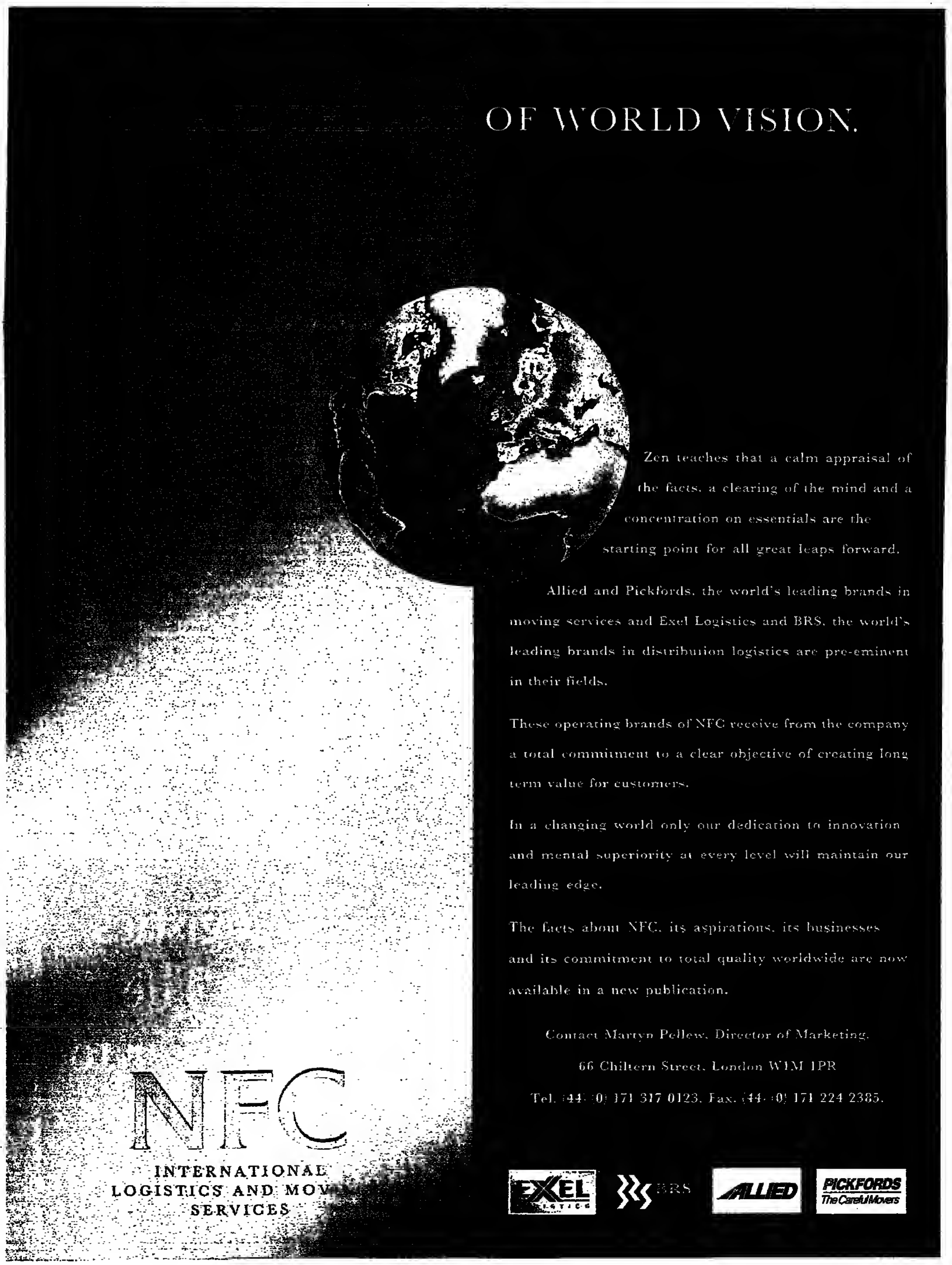
Being willing to agree to deliveries of essential components from another country straight into the assembly line without the comfort of a buffer stock requires cool nerves. But this is the way that industry is moving, said Mr Pellew.

On a more local basis the logistics industry is looking hard at the concept of "cross-docking". This requires manufacturers to supply yoghurt, washing powder or motor components to the distribution warehouse just in tima for them to be combined – "consolidated" – with other products destined for the same customer and shipped out immediately. The aim is to reduce inventory at the distribution centre.

This pushes responsibility for matching production runs to customer demand back to the manufacturer. A survey by *Food Industry News* showed that in the food sector at least, manufacturers appeared confident they could handle these pressures without any increase in the size of their own stocks.

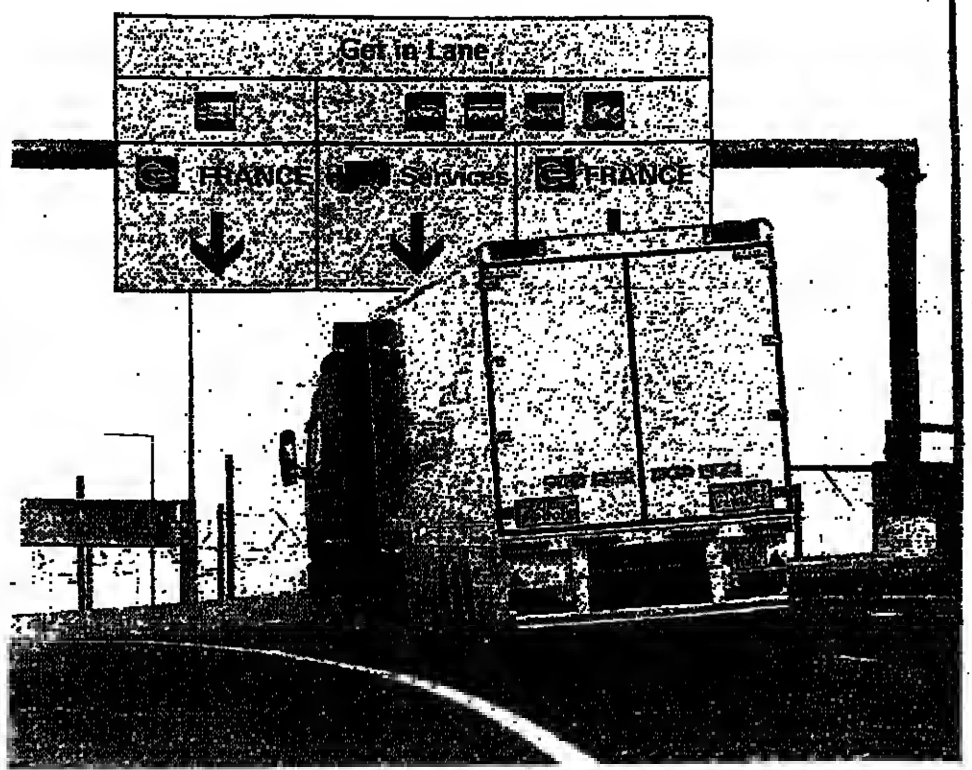
But companies cannot afford to relax. "There is a massive drive to take costs out of the system," said Mr Masters. "The whole logistics market place is becoming more complex and more demanding."





Charles Batchelor investigates the attractions of the Channel tunnel

It's still early days



Tunnel ahead: prospect of better links between Britain and the Continent, but the first steps have been shakey

The Channel tunnel offers the prospect of much improved distribution links between Britain and the Continent.

But delays to the build-up of full tunnel services and this summer's lengthy strike of UK railway signalmen have done nothing to increase confidence in the £11bn venture.

These two events have created doubts about the tunnel and reinforced more general suspicions about the reliability of rail freight. They have set back hopes of a speedy shift from road to rail.

In theory the opening of the 32-mile-long tunnel provides an unprecedented opportunity for Britain's railway network. The 10,000 miles of UK track will be directly joined to the mainland European network of 150,000 miles.

This transforms the economics of making rail shipments. With few freight journeys financially viable over distances of less than 300 miles British Rail has in the past been unable to compete with road transport.

Railfreight Distribution, the British Railways freight subsidiary responsible for container shipments to the Continent, calculates that the opening of the tunnel will increase freight volumes from 2m tonnes a year to 6.5m tonnes within two years. It expects freight shipments to reach 9m tonnes by about 2000.

Railborne freight currently accounts for just 7 per cent of cross-Channel shipments by container, closed rail waggon or lorry. At present cargoes go by train ferry from Dover to Dunkirk or by lift-on lift-off container ship between Harwich and Zeebrugge.

The Channel tunnel creates opportunities for the development of intermodal services with consignments travelling much of the journey by rail, and road used solely for delivery and collection from a rail terminal. The environmental attractions of a shift to rail are attractive to politicians and the general public. In addition to the long-distance freight services which will use the tunnel, road hauliers will also be able to put their trucks on Eurotunnel's freight shuttles running between Folkestone and Calais. The freight shuttles should provide a marginal saving on the ferries, though at times of bad weather or during the summer holiday peak when passenger cars displace lorries on the ferries considerable savings may be achieved.

But opinions within the distribution industry about the railways are mixed. Rail has not endeared itself to hauliers and freight forwarders over the years. Sudden price increases, unreliable deliveries and a cavalier attitude to customers have made potential users wary of rail.

There are even doubts about the railways' ability to match the delivery times provided by road transport. One survey showed that European intermodal shipments travelled at an average of just 23 miles an hour while road shipments moved at 43 miles an hour.

"Significant weaknesses exist in the organisation and marketing of rail freight services through the tunnel," said Mr Jim White, director general of the British International Freight Association.

Chilled foods via the tunnel could get 12-48 more hours of shelf life

Mr White believes that the number of organisations involved in providing services and marketing the tunnel has led to confusion among potential users.

The tunnel is being promoted by Eurotunnel, which owns and provides services through the tunnel; by Railfreight Distribution and by "retailers" of cargo space like ACI and CTL.

The tight security regime imposed on freight users of the tunnel is also a concern to some. Groupage traffic, the combination of shipments from different customers into one consignment, is of particular concern to security officials. Registering shippers and agents on the model recently adopted for air freight should be possible, Mr White said.

The faltering start to freight and passenger services through the tunnel has damaged the credibility of its operations. The well-publicised breakdown of a small number of the early freight trains in the tunnel – despite being inevitable on a new service of this kind – has increased concerns.

And while the tunnel's operations have not been directly affected by the signalmen's strike, the dispute has emphasised the vulnerability of the railway to industrial action.

Despite these fears, considerable sums of money are being invested in rail freight terminals and in rolling stock to provide through links.

Railfreight Distribution will operate a network of seven freight terminals including London, Birmingham, Manchester and Glasgow while private investors are creating terminals in Daventry, Doncaster and elsewhere.

These terminals will act as collection points for containers and swapbodies – truck trailers without the wheels. Plans are also afoot to create a "piggyback" service which would transport complete lorry trailers, including wheels, on special flat-bed rail waggons.

The Piggyback Consortium, grouping rail companies, local authorities and transport organisations, has calculated that raising bridges and tunnels to take the higher waggon loads on a route to the north west of England and to Scotland would cost just £70m, much less than previous estimates.

In August the consortium invited rolling stock manufacturers to quote for the supply of a fleet of flat-bed waggons.

It is on the long distance routes, from the north of England and Scotland to northern Italy and Germany that big time savings can be made, according to the supporters of intermodal transport.

London to Milan should take 31 hours and Glasgow to Basle 34 hours. Birmingham to Vienna should be a 37 hour journey and Manchester to Mannheim 34 hours. Delivery and collection times, by road, will need to be added to these terminal-to-terminal times, however.

If the tunnel can provide a regular, reliable service, guaranteed delivery times could prove invaluable to companies supplying customers or field engineers with components from a central European warehouse.

Companies could push back the cut-off point for orders for next-day delivery of spare parts from, say, 4pm to 5pm and still get the order there on time.

Food retailers shipping chilled foods through the tunnel by a combination of road and rail could gain an extra 12 to 48 hours longer on the supermarket shelf, said Mr Pat Lee, development director of Wincanton, a food distribution specialist.

"The speed of movement will allow an honest claim that the fruit, say, was only picked the day before," he added. Intermodal transport through the tunnel should avoid traffic jams, ferry cancellations in rough weather and continental bans on long distance lorry journeys at weekends and on public holidays.

The tunnel will be judged on whether it can save the distribution industry and its customers time and money. But four months after its official opening the tunnel still has a long way to go to demonstrate that it can do either.

Europe aims at a vast integrated network: Charles Batchelor reports

Road-ways to the future

For all the huge sums which have been invested in Europe's roads and railways, the continent's transport networks remain fragmented.

This, at least, is the view of the European Commission, which has been refining its transport policy over the past four years.

It is now working on ambitious plans to upgrade the continent's transport infrastructure. Its programme of trans-European networks envisages the spending of Ecu220bn over the next 15 years though it is not yet clear where much of this money will come from.

The commission's plans involve nothing less than the creation of an integrated transport system including road, rail, air and inland and coastal shipping. A parallel programme, costing a further Ecu180bn, is intended to improve telecommunications and energy networks.

Even governments such as the British, which do not hold with integrated transport planning on a national basis, are joining in. The spur is the prospect of community funds to help finance domestic programmes.

It remains to be seen whether the funds can be found to carry out the improvements planned. But if the commission's programme is pushed through it should produce considerable benefits for the distribution industry.

The aim of the transport programme is to make Europe more competitive and provide the physical means for the free movement of goods, services and people promised by the creation of the single European market in 1993.

Transport networks have in the past been designed largely to meet national needs, leaving gaps and bottlenecks between countries.

Rail transport is made unnecessarily complicated by differing track and loading gauges and by incompatible power and signalling systems. The Eurostar trains which will carry passengers through the Channel tunnel have been designed to take account of three different electricity networks and four signalling systems (including the one in the tunnel itself).

Governments set different rules for combined transport operations while the inland waterway system lacks cohesion. In the air, traffic management and control systems are splintered and Europe has no fewer than 42 air traffic control centres.

At the same time, transport systems differ in quality and availability within the 12 European Union members, according to Mr Jürgen Erdmenger, a director of the commission's transport directorate, DG7.

Poorer countries on the periphery such as Greece and Portugal are further isolated by a shortage of good transport links.

Closer to the geographical centre of Europe, transport routes such as the Rhine-Rhône corridor, rail transit across London and Paris, and air traffic paths in north-west Europe are congested.

Although large sums have been spent on transport projects over the years, transport's share of national budgets has been falling. Transport accounted for 1.5 per cent of the European Union's combined gross domestic product in 1975 but is now down to about 0.8 per cent.

The picture is further complicated by the imbalance between the different means of transport. The rapid growth of road transport, in particular, has led to a decline in the use of other networks, notably rail, increasing congestion and damage to the environment.

Freight shipments have increased by half over the past 20 years and road transport now accounts for 70 per cent of goods transported. Rail and barge traffic has declined in relative terms. Passenger travel, meanwhile, has increased by 85 per cent, mostly in the form of private car journeys, which account for 79 per cent of all travel.

While national transport budgets have fallen, EU spending will rise

At present European governments spend 66 per cent of their transport budgets on roads, 23 per cent on rail, 6 per cent on airports and 5 per cent on canals and ports.

The trans-European network programme, in contrast, envisages spending 30 per cent of its money on roads, 60 per cent on rail and 5 per cent on inland waterways.

In detail, the programme involves:

- the designation of a rail network of 70,000 kilometres including 23,000 km of extensions and new lines for high-speed trains and 23,000 kms largely devoted to freight/combined transport.
- the creation of a 58,000 km road network including 15,000 km of new or improved roads. Roads would be of a minimum twin two-lane standard but would not have to be motorways.
- improvements to trans-shipment terminals for combined road-rail transport and agreement on a uniform loading gauge for intermodal rail shipments.
- filling in gaps in the canal network and improving seaports to increase waterborne traffic.
- improvements to airports and their connections with other forms of transport. The establishment of an integrated air traffic management system.

Many of these improvements will have to be funded from the transport budgets of individual countries. But the European Commission believes community funds, European Investment Bank money and private sector finance can also be employed.

A progress report on the trans-European networks programme is to be made to the European Council when it meets in Essen, Germany in December.

The Commission's prime concern is links within the EU but it has also given thought to connections with the countries of central and eastern Europe. East-west transport links were neglected during the Cold War but must now be improved.

Several projects are currently under way in eastern Europe with the help of funds from the European Bank for Reconstruction and Development.

They include a new motorway linking Budapest in Hungary with Vienna, Austria and Bratislava in the Slovak Republic and the upgrading of nearly 600 kms of the Belarus section of the Berlin-Moscow highway. The Slovenian railway network is also being improved.

Important though the physical links between the countries of Europe are there are other equally powerful though less visible barriers. The complexity of trade documentation puts a considerable cost on business. A development team is currently working on a project codenamed Bolero to create an electronic bill of lading. This should create a faster, more secure way of sending shipping documents.

Projects such as these are drawing the countries of Europe closer together. At the same time transport demand from both the private and commercial sectors is increasing inexorably.

It will not be easy to develop transport networks which can meet this demand without imposing considerable strains on the environment.

But the European Union is convinced that unplanned growth would prove even more damaging.

Customers press for faster parcels delivery, says **Phillip Hastings**

Today or tomorrow, please

Parcels service operators initially made their mark during the 1980s by developing a range of "off the shelf" express delivery products.

In the UK, they introduced branded services providing delivery times ranging from overnight to two or three days.

However, customers are now demanding greater flexibility from the operators. Typical of this is the way Honda, the car, motor cycle and power equipment manufacturer, uses NFC express delivery company Lynx to distribute parts overnight to its 1,200 UK dealers.

The operation guarantees that 99 per cent of dealers' orders placed by 3.30 pm will be delivered by 10 o'clock the next morning. It entails collecting parts by road from Honda's UK logistics centre in Swindon and using a combination of road and air transport to bring in other parts from the company's European centre at Ghent, Belgium.

Parts from both sources are then routed through the Lynx UK branch depot network for final delivery to the dealers.

Flexibility is even more *important on the international* front where the users are often large multinational corporations and the service operators tend to be large express companies, or integrators as they are often known.

That point was highlighted at this year's World Express and Mail conference in London by Mr John Parsons, director of logistics for Sony UK.

He said that when integrators talked about providing bespoke solutions, they were relatively successful within very narrow confines. "But if you, as a customer, go along to an integrator and ask for a really flexible system you basically get a situation where they really ask you to shoehorn your system into theirs rather than the other way round."

Mr Parsons said the challenge for the integrators was to understand the trade-off between costs and service and to be able to provide a menu of tailored services at a cost which could be understood by the customer.

Mr Tony Walford, European logistics manager for United Parcel Service, replied that in the last few years the integrated transport industry has become very much more flexible in its core services. The difficulty, though, was to reconcile the customer requirement for flexibility with the need to keep down costs by using standardised systems.

Customers of the parcels service operators now increasingly regard next day delivery as a standard service, certainly within the UK and Europe, and are no longer prepared to pay premium prices for it.

At the same time, tough competition is continually forcing down parcel service prices. *Mr Paul Jackson, chief* executive of freight and express industry consultants Triangle Management Services, says that parcel volumes are continuing to grow but that average yields in the market are down by an average 25 per cent over the last three years. In that situation, "the low-cost operators are going to be the winners," he says.

The price squeeze means the cheapest operators will be the winners

Another UK logistics industry consultancy, Davies & Robson, says the rates discount practices of many UK parcels carriers now "often defy commercial logic" and that this probably signals a further big shakeout in the industry.

Mr Andrew Callaghan, managing director of Staffordshire-based UK domestic parcels carrier ANC, says that an oversupply of service capacity during the last couple of years has led to a number of key operators leaving the industry. "But while over-capacity still exists, such casualties have made other parcel carriers more conscious of profit margins. This, combined with the economic upturn, *has led to a hardening* of prices which have in some cases risen during the last quarter."

Other distributors believe that this could be avoided if general economic conditions keep improving. ANC, for example, claims its parcels volumes are currently 15 per cent up on last year.

However, other big changes are on the horizon – the privatisation of two leading operators, Parcelforce and Red Star. News of the proposed privatisation of Post Office parcels division Parcelforce has renewed concern among rival private sector operators over possible increased competition from the currently loss-making operation – for the year to March 31, Parcelforce recorded a loss of £19m. Private sector rival TNT Express (UK) claims that Parcelforce enjoys a number of "unfair" operational and financial advantages "merely because it is part of an organisation which has a monopoly in the letter delivery market".

Moving parts: a Honda consignment arrives at Lynx's Nuneaton hub

To counter that advantage, TNT has renewed its earlier call for a duopoly licence which would allow a private company to compete with existing postal services.

Meanwhile, the much-delayed sale of British Rail parcels division Red Star is scheduled to be completed by the end of September. The same-day/nextday delivery business was first put up for sale last year but was withdrawn after failing to attract any acceptable bids. Red Star then underwent a substantial restructuring before being put back on the market.

In the international parcels service market, operators are increasingly likely to work together to provide the wide-ranging global coverage demanded by customers, particularly big multinational organisations.

Leading operators still like to talk about "one stop shopping" – providing every service their customers need – but in reality most are looking at alliances and partnerships with other companies to achieve that coverage.

Internationally, for example, TNT Express Worldwide has a now well-established joint venture with the five post offices belonging to GD Net; DHL International has German airline Lufthansa and Japan Air Lines as major shareholders; and Federal Express works with national express companies as collection/delivery agents in Europe, for example, Securicor Omega Express in the UK.

Similar trends are apparent among many European and domestic parcel service operators. Securicor Omega Express has an alliance/partnership with German operator Trans-o-flex covering most of the European Union, and Mayne Nickless group company Parceline is in partnership with several leading Continental parcels companies through an operation called Euroline.

Parceline has also just launched a new European overnight delivery service called Skyline Next Day in conjunction with its parent company's worldwide DPE (Document and Parcel Express) network. Elaborating on the reasons for such moves, Triangle's Mr Jackson said that in the UK, for example, a recent survey showed that 50-60 per cent of domestic parcels market customers had European traffic.

So domestic operators needed to be able to offer European services – and the answer for many was to work with overseas partners.

■ AIRFREIGHTING

UK security tightened

New UK airfreight security measures are proving a headache for shippers, forwarders and airlines, making their operations more complex and potentially more expensive.

This is happening at a time when airfreight service operators are handling higher cargo volumes as trade recovers from world-wide recession and when the industry is meeting customers' demands for better quality services.

Under the UK security regulations introduced in June, forwarders have to obtain a Department of Transport listing as a security-approved air cargo agent. They also have to vet regular exporting customers for classification as a "known shipper".

Shippers and forwarders who do not qualify on those counts are likely to find their cargo subjected to much stricter security checks by the airlines, with resulting delays.

So far, the regulations appear to have caused few serious problems. One difficulty, though, centres on the apparent requirement for shippers to enter separate security agreements with each forwarder used.

At the time of writing, forwarders were seeking a meeting with the Department of Transport to clarify that issue. Companies freighting goods by air are also still keeping a close watch on airline security screening surcharges for cargo not originating from "known" shippers.

Cargo rose 6 per cent last year, as passengers increased by 1 per cent

Some airlines have already introduced such charges, typically involving a minimum fee of £4 plus 2p per kilo above that minimum level, to cover the cost of implementing new security systems and checks. Others, though, are holding back until they see how the system settles down.

Meanwhile, the volume of freight is continuing to increase. The International Civil Aviation Organisation (ICAO) says air cargo traffic worldwide rose by around six per cent last year compared with a one per cent growth in the number of passengers. Aircraft manufacturer Boeing is predicting an average 6.5 per cent a year growth in world airfreight over the next 20 years.

As a result of the present upturn, individual airlines are this year hurriedly adding capacity on particularly busy cargo routes and adding new cargo-handling facilities.

British Airways, for example, is considering further expansion of its chartered freighter operations. Worldwide, BA currently operates freighter flights on nearly 20 sectors a week, despite not actually owning any all-cargo aircraft. Those services are in addition to the carrier's large-scale global airfreight operations involving the use of bellyhold space on its passenger aircraft.

BA is also planning to start main construction work on a new £150m world cargocentre at London Heathrow in the first half of 1995. The facility will be designed to handle up to 1m tonnes of cargo a year, twice the capacity of the carrier's existing centre.

BA's annual cargo revenues for the year ending March 31, 1994, rose by over 16 per cent to £461m and volumes were up by 14 per cent to 607,000 tonnes. The improvement continued in the current year's first quarter: cargo revenue for the three months to end-June was up 18 per cent to £130m, with volumes up to 171,000 tonnes, 20 per cent more than the same period last year.

The cargo business is also growing fast at British Midland, the UK-based domestic and European regional airline, with volumes up 45 per cent so far this year.

Nevertheless, shippers are still pressing for improved service levels. In particular, they want more time-definite movements.

One of the big long-running complaints from shippers and their agents, the forwarders, against the airlines is that cargo is often not flown as booked. That occurs mainly because much of the world's airfreight is flown in the bellyholds of scheduled airline passenger aircraft – a recent air cargo industry survey commissioned by the Reed Travel Group found that 82 per cent of airfreight is carried that way. Such cargo is sometimes offloaded from the aircraft to accommodate unexpectedly high passenger loads and resulting increased baggage. With shippers and their customers often running very tight production/delivery schedules, the resulting delays can cause serious problems.

This has helped international express companies or integrators such as DHL, Federal Express, United Parcel Service (UPS) and TNT Express Worldwide, some of which run their own aircraft and therefore have greater control of the freight, to capture a lot of traditional airfreight traffic over the last decade.

More recently, some of the leading forwarders have begin to think of developing more time-definite services of their own. Danzas, tha Switzerland-based international forwarding and transport organisation, is currently developing scheduled, door-to-door delivery services between Europe, the Far East and North America under the product name Starconnect. Like many other leading international airfreight/air forwarding companies it is also focusing on the development of much more wide-ranging logistics services.

Last year, for example, Air Express International bought an oceanfreight service business called Votainer and is now planning to develop its intra-European express system Pandalink into a global operation. It claims its customers are increasingly demanding a broad range of logistics services from one supplier and will take their business elsewhere if they do not get it.

Mr David Beatson, president and chief executive officer of Emery Worldwida, another leading international airfreight company, also makes the point that simply moving freight is no longer good enough to meet shipper demands. "Today, carriers like Emery must demonstrate how they can adapt and deploy their resources to help customers shorten supply cycles and streamline distribution networks so that costs are reduced and products arrive at the ultimate customer faster and more efficiently than ever before," he says.

In that context, the airfreight industry as a whola is stressing the further development of electronic data interchange (EDI) and other computerised information technology systems. Increasingly, the emphasis is on systems which can communicate with a wide range of parties for functions such as the booking of cargo and consignment tracking.

There is also an increasing tendency for airfreight service suppliers to work openly with other operatora, sometimes even potential rivals, to produce the overall solution demanded by their customers.

UK-based forwarder MSAS Cargo International claims to be an example of that trend. Says Mr Douglas Ash, chief executive: "If the customer wants a service which we can provide more easily by utilising one of the integrators, then we will do that. And we won't hide the fact from the customer – we will tell them it is the better way to service that particular part of their business."

Phillip Hastings

Neil Buckley reports on the power of the supermarket chains

Warehouse revolution

The demands of the retail sector have done much to force the distribution industry to become more sophisticated, and those demands are continuing to dictate the pace of change in the industry in the 1990s.

Retailers, and especially UK food retailers, have realised that highly efficient distribution systems are crucial to gaining a competitive edge, and that they were paying too much for distribution in the past. Distribution costs in the UK have come down from more than 10 per cent of sales to about 4 per cent over the last 10 years.

Two important trends have dominated retail distribution, and facilitated that improvement in cost ratios: centralisation, and contracting out of distribution to third parties.

Retailers have largely abandoned deliveries by suppliers directly to stores, in favour of deliveries to retailers' own regional warehouses, where goods are sorted and loaded on to trucks for distribution to stores.

The shift has been dramatic. The Institute of Grocery Distribution found that by 1992, on average, 83 per cent of goods were distributed centrally by retail multiples.

The tendency towards centralisation continues, and within it other trends can be discerned. One is a move away from different warehouses for different categories of goods, towards composite centres handling all categories – including ambient, chilled and frozen goods in food retailing.

Another is a move away from large networks of small warehouses to smaller networks of ever larger depots.

Hillier Parker, the commercial property agent, predicts that demand for new, larger warehouse facilities will increase. It says the average size of retailers' warehouses is 304,000 square feet – twice that of manufacturers'.

The possibility of reducing costs through economies of scale is also prompting smaller companies to look at sharing distribution facilities, staff and transport fleets.

This is linked to the second important tendency, contracting out distribution.

Sainsbury and Tesco, the UK's largest food retailers, now contract over half their distribution, and Asda, the fourth-largest, more than 70 per cent.

Contracting out offers a number of advantages. It means contractors, rather than retailers themselves, shoulder much of the considerable investment burden. It also gives retailers access to specialist knowledge and expertise, in a field where technological advances continue apace, permitting – indeed necessitating – constant changes in operating methods.

The conventional wisdom has been that few companies would want to contract out all their distribution. Few have so far done so, a notable exception being Laura Ashley, the UK-based fashion and fabrics group which has brought in Federal Express Business Logistics on a 10-year contract.

Most retailers were thought likely to want to retain control of at least some of their distribution, and to be able to compare costs between in-house and contractors' operations.

But Mr Robert Blyth, senior consultant with Kurt Salmon Associates, the management consultants specialising in the soft goods industries, says retailers are growing more comfortable with the idea of contracting out. He suggests three key elements to success in third-party distribution partnerships:

- Retailers must retain internal, highly-competent personnel to direct their supply chain strategy, even if operations are largely contracted out.
- The third party must have highly professional people and adequate systems.
- The correct balance between keeping costs down and achieving high standards of service must be kept. Retailers are realising that the costs of daily deliveries from regional warehouses may be high, but may be more than outweighed by the benefits of achieving lower levels of goods out of stock, and hence lower markdowns.

Mr Blyth suggests that to derive the maximum benefits from such relationships requires a change in attitudes:

"The third party contractor must be seen as an important service supplier, and treated that way. Close relationships between all three parties are the key."


Tesco uses a Radio Frequency Data Communications system in its warehouses

Only through developing closer relationships can ways be found to lessen stockholding, and so reduce costs, at all points of the supply chain. This is the essence of efficient customer response, and quick response, the buzzwords of retail logistics in the 1990s.

Quick response means retailers ordering precise quantities of product from suppliers, based on the sales that have occurred within a specific time – frequently, a single day. This allows stocks to be maintained at a considerably lower level.

Spectrum Planning, the supply chain consultants, says retailers who have embraced a quick response strategy have halved stock levels in the product groups concerned. It says that extrapolating this to the whole fast-moving consumer goods sector suggests the industry could achieve savings of about £1bn a year.

However, quick response places great demands on distribution services and product suppliers. To ensure product is always available, orders must be fulfilled with 100 per cent accuracy in terms of quantity and timing.

In practical terms, this means retailers must share sales information with their suppliers and logistics contractors, through electronic data interchange (EDI). This is being hampered by at least two factors: the lack of common international standards for EDI, making it difficult to link together all elements of the supply chain, and the traditionally "adversarial" relationship between retailers and suppliers.

However, some encouraging evidence was found in a recent survey of food manufacturers by *Food Industry News*, sponsored by BRS and Exel Logistics, and analysed by the University of Westminster's transport studies group. Among food manufacturers, 80 per cent believed the quality of information flows with their customers had improved over the past two years.

Some 40 per cent of respondents felt their operations were already highly integrated with customers', and 67 per cent believed they would be by 1995; more than half already had EDI links with customers, the figure rising to 90 per cent among larger companies.

A final trend for distribution specialists is likely to be towards a single distribution company handling the entire supply chain from the raw materials stage through to the retail outlet. This might entail, for example, one logistics company transporting fabric from, say, China, to a factory, and then transporting finished garments to the retailer's distribution centre, and on to the stores.

Increasingly, logistics specialists will be expected to have international, even global, reach – likely to lead to more international partnerships, joint ventures and takeovers among logistics companies.

Distributors that are international, and offer most flexibility, are those that will win the contracts as retailers themselves become more international.

Competition flares in Europe's sea-lanes, reports **Charles Batchelor**

Flags of inconvenience

Most international cargoes make part of their journey by sea but, unless there is a dramatic sinking of a ferry or an oil tanker, seaborne shipping suffers from a very low profile.

In recent months, however, a dispute over a rate and capacity sharing agreement or "conference" across the north Atlantic has focused attention on the financial pressures afflicting parts of the shipping industry. The controversy surrounding the Trans-Atlantic Agreement (TAA) has drawn the European Commission, the shipping industry and large shippers into a bitter dispute.

The TAA raises questions about the viability of long-distance, deep-sea routes but the problems confronting short-sea shipping have also come under serious consideration recently. The opportunities for taking consignments off road and rail and transferring them to coastal and canal shipping are being reviewed by the European commission.

Shipping owes its low profile in large measure to the shift of the industry away from the traditional but now high-cost European seafaring nations to the Third World and the Far East. With a few notable exceptions ownership has moved to small one or-two vessel companies which sail under "flags of convenience" and employ non-European crews.

Despite these cost-saving measures, competition in many areas of the shipping market has put fierce pressure on the operating margins of shipowners. The traditional method of regulating competition has been the shipping conference, an agreement between competing shipping companies to set prices on a particular route.

The TAA was just such an agreement, put in place in September 1992 to stem rising losses on the Europe-North America routes. It united 15 large shipping lines accounting for 85 per cent of sailings on these routes and included companies such as P&O, Nedlloyd and Maersk.

The TAA succeeded in pushing up freight rates by as much as 100 per cent. But it enraged many of the companies shipping their products across the Atlantic and prompted the intervention of the European commission.

The commission took particular exception to the TAA extending its influence over the land-based section of journeys – to and from the port – and to the fact that it sought to control capacity as well as freight rates.

In July the members of the TAA put revised proposals to the commission aimed at making the agreement more flexible and more acceptable to shippers but there is no guarantee that these concessions go far enough. A response from the commission is still awaited.

In its role as a defender of free trade and open competition the commission has taken a tough line with the companies involved in the TAA. But within the framework of its transport policies the commission is doing its best to promote the shipping sector.

This reflects the importance of shipping to the international movement of goods. More than 90 per cent of the European Union's trade with the rest of the world uses sea transport. This amounts to 600m tonnes of the world's total seaborne trade of 3.6bn tonnes.

The EU's international maritime trade is split roughly equally between distant, deep-sea destinations and more "local" ports of call in Scandinavia, eastern Europe, North Africa and the Middle East.

Maritime transport also accounts for a large share – 35 per cent – of total trade between the EU member states. Island nations such as the UK and Ireland are understandably very dependent on seaborne transport but other countries on the EU periphery such as Greece, Portugal and even Denmark move many of their imports and exports by ship.

As part of its efforts to revitalise the European shipping fleet, the commission is working on proposals for a European shipping register, Euros. Under an early draft Euros would have still required officers and half the crew to be European nationals but would have given income tax concessions to the crews of Euros-flagged vessels.

The tax proposals ran into objections from the national finance ministries, however, and a modified version of this plan is now under consideration.

A second strand in the commission's efforts to boost shipping can be found in its proposals to improve the efficiency of ports within the EU. This ports initiative forms part of a broader strategy to create strategic networks of road, rail and air links.

Growing pressures on the road network have led to rising levels of congestion and there is little likelihood that investment in roads alone can solve the problem. The inability of road investment to keep up with demand has led to higher energy consumption, more pollution and a greater number of accidents, a commission report concluded.

Ports and maritime transport cause less damage to the environment and are more energy efficient. New port infrastructure is normally less intrusive than new road building while the energy consumption of a coastal tanker is four times less per tonne/kilometre than road freight.

Under the commission's proposals, financial support would be available for projects defined as being "of common interest". An initial trawl has thrown up more than 110 possible projects including the deepening of the approach channel to Esbjerg in Denmark, the construction of quays for a new container terminal in Oslo and improved road connections for ports such as Ramsgate and Southampton.

But for all the apparent financial and environmental advantages of ship transport, it will still have a tough task in competing with road and rail shipments. The de-regulation of the road haulage sector to allow cabotage, the carriage of goods between destinations in another country, and the construction of transport links such as the Channel tunnel and Oresund tunnel/bridge between Denmark and Sweden increase the competitiveness of land transport

"The critical success factors such as transit time, frequency of departure, cost of transport and quality of service often do not measure up in comparison with road and sometimes also rail transport," according to a recent study* by Niko Wijnolst, a Dutch academic.

The turnaround time of ships must be reduced dramatically and port and stevedoring costs must be cut if shipborne transport is to become more attractive. Wijnolst calls for the creation of port hopper services, fast and frequent shipping links between European ports, to make maritime transport more attractive.

Vessels would need to be equipped to load and unload their own cargoes, dispensing with the delays and cost of shore-based systems. They would also need flexible propulsion units and mooring systems to make them independent of tugs and harbour pilots.

Such proposals would require a revolution in working practices in many European ports and a rethink on the level of port dues levied, Wijnolst concedes. Hopper services would also require government assistance.

But if these admittedly considerable obstacles could be overcome, maritime transport could play an even greater role in moving goods.

**Multimodal Shortsea Transport – Coastal Superhighway. By N. Wijnolst and others. Delft University*